

October 30, 2001

PERSONAL AND CONFIDENTIAL

Board of Trustees
Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Members of the Board:

The forty-fifth annual actuarial valuation of the Kentucky Employees Retirement System, the forty-second annual actuarial valuation of the County Employees Retirement System, and the forty-third annual actuarial valuation of the State Police Retirement System have been completed and the reports prepared. The valuations were made on the basis of data provided by the Retirement System as of June 30, 2001.

On the basis of the assumptions as stated in each report and the data furnished us by the Administration of the Retirement Systems, it is certified that the valuations have been made by the use of generally accepted actuarial principles and that, if the recommendations of the reports are followed, adequate provision will be made for the funding of future benefits.

The three Retirement Systems are actuarially sound based on the continuation of current funding policies adopted by the Board. Adequate provision is being made for the funding of the Actuarial Accrued Liabilities of the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System as required by the Kentucky Revised Statutes, as appropriate funding rates have been established by the Board for this purpose.

Respectfully Submitted,
WILLIAM M. MERCER, INCORPORATED

By
Stephen A. Gagel, F.S.A.

SAG/lst

ANNUAL ACTUARIAL VALUATION

JUNE 30, 2001

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

COUNTY EMPLOYEES RETIREMENT SYSTEM

STATE POLICE RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

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October, 2001

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

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COUNTY EMPLOYEES RETIREMENT SYSTEM

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STATE POLICE RETIREMENT SYSTEM

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FORTY-FIFTH ANNUAL ACTUARIAL VALUATION

JUNE 30, 2001

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

SECTION I

INTRODUCTION

The results of the forty-fifth annual actuarial valuation of the Kentucky Employees Retirement System are presented in this report. The actuarial valuation was made on the basis of the data provided by the System as of June 30, 2001.

The purpose of the actuarial valuation is to determine the actuarial condition of the Retirement System and the rate of employer contributions for the ensuing fiscal year required to support the System.

The plan provisions utilized in this valuation are described in the Summary of Principal Plan Provisions in Section VI. The basis of funding, as defined in KRS 61.565, provides that the actuarial valuation method is uniform for all benefits provided by the System. The Entry Age Normal Actuarial cost method has been used for all benefits. KRS 61.565 provides that each employer participating in the System shall contribute an amount equal to the Normal Cost contribution rate, and an amount sufficient to amortize the Unfunded Actuarial Accrued Liability over 30 years using the level-percentage-of-payroll method. This is the standard used herein to determine whether the funding of the System is adequate.

The actuarial valuation results are based upon the employee census and asset data supplied by the office of the System, and upon the actuarial assumptions as stated in Section II.

SECTION II

ACTUARIAL CONSIDERATIONS

Description of Actuarial Methods

The actuarial valuation is the means by which the contingent liabilities and contribution rates of a retirement system are evaluated and determined. It provides a guide to the System to the financing required during years of active service to accumulate the funds needed to provide member's benefits. It also makes it possible to estimate beforehand the cost of proposed changes in the System so that action can be taken in the light of the cost consequences.

The methods of valuation are prescribed by KRS 61.565. The Entry Age Normal Cost Method was used to determine costs of all benefits with the exception of the retiree medical insurance benefit. Under this method the employer's contribution to the retirement system consists of Normal Cost, a payment to fund the Unfunded Actuarial Accrued Liability, medical insurance, and administrative expenses. The Normal Cost represents the contribution (as a level percent of payroll) that completely funds benefits at retirement if made from a person's entry into employment until his retirement. The Actuarial Accrued Liability represents the sum of money and investments that would be held in the fund if the retirement system had been in effect since the date each member was first employed. The payment to fund the Unfunded Actuarial Accrued Liability is the amount necessary to amortize this liability over 30 years using the "level-percentage-of-payroll" method. Under the "level-percentage-of-payroll" method, the amortization payment is an amount which remains constant as a percentage of payroll over the 30 years. The initial 30 year period began with the 1990 valuation. In each subsequent valuation, any change in Unfunded Actuarial Accrued Liability is identified and established as a separate amortization base with a 30 year funding period beginning with that valuation. The change in Unfunded Actuarial Accrued Liability established as a separate base in each valuation will include changes attributable to experience gains and/or losses over the prior year, as well as changes attributable to benefit improvements and revisions in actuarial assumptions and funding methods.

The medical insurance contribution rate was originally determined in the 1987 valuation as the level percent of payroll necessary to fund projected medical insurance premiums over the next sixteen years (taking into account the level of reserves in the Insurance Fund). Beginning in 1988, this rate was increased each year by a percentage amount needed to reach the Entry Age Normal funding rate within a 20 year period measured from 1987. This was continued through the 1992 valuation. In the 1992 valuation, an acceleration of the scheduled increases in the medical insurance contribution rate was recommended where possible. This acceleration in these rates was coupled with a deferral of future increases until the time of the next experience study, unless there was a deterioration in the funded position of the medical premium benefit in which case the rate levels were to be reviewed to redetermine an appropriate current funding level, or unless recommended contributions are not made in the prior year, in which case the shortfall would be spread over future years through an increase in the contribution rate. This continued through the 1995 valuation. Effective with the 1996 valuation, a new medical insurance funding policy was adopted by the Board. Under this revised policy, the medical insurance contribution rate for the 1996 valuation was set equal to the 1995 rate plus any reduction in the retirement and administrative expense rates between the 1995 and 1996 valuations (but in no event to be less

than the 1995 medical insurance contribution rate). Beginning with the 1997 valuation, the medical insurance contribution rate is to be increased at the start of each biennium (coincides with valuations in odd numbered years) by the percentage amount necessary to raise this medical insurance rate to the full Entry Age Normal Cost Method contribution rate by the year 2016. There will be no change in the even numbered years unless there are actuarial gains relative to the retirement funding which will then be used to increase the medical insurance funding rate for the next year only.

The Board reviewed this funding policy in conjunction with the experience study prepared following the 2000 valuation. The current policy relative to the establishment of the permanent portion of the insurance fund rate was not changed. But in years where there may be a temporary reduction in the retirement fund contribution rate, the Board may use the amount of that reduction as an additional temporary contribution to the insurance fund.

In computing the full Entry Age Normal Cost Method contribution rate, liabilities are to be developed based on actuarial assumptions in use in the current valuation (as adjusted from time to time due to experience studies) and actuarial value of assets based on the same method as employed for the retirement benefit valuation. The actuarial value of assets for the medical contribution rate valuation utilized book value prior to the 1996 valuation, and a 5-year market to book value average from 1996 through the 2000 valuation. The current asset valuation method was employed effective with the 2001 valuation.

The amount of the administrative expense was based on the budgeted amount for the twelve months following the date of the valuation, as allocated between Hazardous position and Non-Hazardous position employees.

Actuarial Assumptions

Since the actuarial valuation involves estimates of benefits payable in the future, it is necessary that assumptions be made as to the interest earnings, rates of mortality, withdrawal, retirement, and disability, and the rate at which salaries will increase.

In addition, an assumption must be made relative to increases in medical insurance rates in order to value the liability for the medical insurance benefit.

It is desirable that the actuarial assumptions be reviewed periodically to see whether past experience and probable future experience justifies the continued use of these actuarial assumptions. Such a study was performed subsequent to the 2000 actuarial valuation and new actuarial assumptions were adopted by the Board for use in the 2001 and subsequent actuarial valuations, until such time as another experience study is performed. This valuation reflects assumptions based on the 2000 experience study. Actuarial assumptions used for hazardous position employees are similar to actuarial assumptions adopted for the State Police Retirement System (with the exception of the rate of retirement). The actuarial assumptions as used in this valuation are described later in this section.

Actuarial Value of Assets

The actuarial value of assets is determined in the following manner for both the Retirement Fund and Insurance Fund:

1. Develop expected assets by projecting valuation assets from the prior valuation using the assumed valuation interest rate from the prior valuation and actual cash flows for the 12 months ending on the current valuation date.
2. The current year investment gain/loss shall be determined as the difference between actual market value as of the current valuation date and expected assets as computed in (1), further adjusted for any amount of investment gain/loss from prior years not yet recognized as of the current valuation date.
3. The amount of investment gain/loss for the current year shall be reflected equally over the current year and the following 4 years.
4. Valuation assets will be equal to expected assets from (1) plus/minus the amount of investment gain/loss from the current and prior 4 years to be recognized in the current year.
5. The starting point for this method shall be the actuarial value of assets as computed in the 2000 valuation under the prior asset valuation method then in effect. Only investment gains/losses occurring after June 30, 2000 shall be recognized and amortized under this method.

The following table shows the derivation of valuation assets for the Retirement Fund and the Insurance Fund as of the current valuation:

	RETIREMENT FUND		INSURANCE FUND	
	Non Hazardous	Hazardous	Non Hazardous	Hazardous
June 30, 2000 Valuation Assets	6,806,675,460	336,213,464	399,560,252	102,212,237
Cash Flows				
> Employer Contributions	21,911,066	10,377,708	66,874,871	13,226,298
> Member Contributions	104,125,142	10,545,410		
> Retirement Benefits	291,704,431	7,995,608		
> Net Refunds	4,529,059	1,221,586		
> Insurance Premiums			37,286,345	1,982,382
> Administrative Expenses	3,826,370	302,411	308,411	24,658
> Investment Manager Fees	2,148,031	109,545	35,681	8,588
Valuation Interest Assumption	8.25%	8.25%	8.25%	8.25%
Expected Return on Valuation Assets Reflecting Actual Cash Flows *				
	554,283,644	28,203,487	34,170,054	8,894,950
Expected Valuation Assets	7,184,787,421	375,710,919	462,974,740	122,317,857
Actual Market Value of Assets	5,484,563,749	305,543,701	396,254,063	107,592,284
Investment Gain/(Loss)	(1,700,223,672)	(70,167,218)	(66,720,677)	(14,725,573)
Amortization Amounts From Prior Valuations				
> Valuation Year - 1				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
> Valuation Year - 2				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
> Valuation Year - 3				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
> Valuation Year - 4				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
Unamortized Amount of Gain/(Loss) From Prior Valuations	0	0	0	0
Investment Gain/(Loss) to be Amortized from Current Valuation Date				
> Amount	(1,700,223,672)	(70,167,218)	(66,720,677)	(14,725,573)
> Amortization	(340,044,734)	(14,033,444)	(13,344,135)	(2,945,115)
June 30, 2001 Valuation Assets				
> Expected Assets	7,184,787,421	375,710,919	462,974,740	122,317,857
> Amortization Amounts	(340,044,734)	(14,033,444)	(13,344,135)	(2,945,115)
> Valuation Assets	6,844,742,687	361,677,475	449,630,605	119,372,742

* Cash flows are assumed equally spread throughout the year

A. STATEMENT OF ACTUARIAL ASSUMPTIONS

- (1) Mortality:
- (a) Active & retired lives - 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees.
 - (b) Disabled lives - Social Security Administration Disability Mortality Rates - Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security).
- (2) Disablement - Graduated rates based on 2000 experience study (no change from 1995 experience study).
- (3) Termination of employment # - Graduated select (non-hazardous and hazardous) and ultimate rates based on 2000 experience study.
- (4) Retirement # - Non-Hazardous:

<u>Age</u>	<u>Retirement Rate</u>
55-57	.04
58-59	.05
60-61	.06
62	.25
63-64	.10
65	.50
66-67	.20
68	.25
69	.40
70 & Over	1.00

At age 55-64 in lieu of the age related rate, 25% are assumed to retire as soon as eligible for unreduced benefits.

Hazardous: Assumed that 50% will retire as soon as eligible for unreduced benefits and balance will continue to age 60.

- (5) Marital status
 - (a) Percentage married - 100%.
 - (b) Age difference - Males are assumed to be 3 years older than their spouses.
- (6) Dependent children - For hazardous position employees under duty related death benefits, it is assumed that the employee is survived by 2 dependent children, each age 6.
- (7) Investment return - 8.25% per year, net of investment related expenses, compounded annually.
- (8) Compensation progression #
 - 1st year: 12.00%
 - 2nd year: 10.00%
 - 3rd year: 8.00%
 - Thereafter: 6.50%, compounded annually.
- (9) Underlying Inflation Rate - 3.5% per year; reflected in investment return and compensation progression assumptions.
- (10) Retiree Medical Insurance #
 - It was assumed that future retirees would select medical coverage in the same proportion that current retirees have selected coverage. Monthly contribution rates were assumed to be as follows:

<u>Plan Type</u>	<u>Rate in Effect on Valuation Date</u>
Single	
- Region 1	\$252.46
- Region 2	293.46
- Region 3	273.52
- All Others	234.00
Family	577.00
Parent Plus	350.00
Couple	525.00
Medicare*	
- Low Option	96.41
- High Option	229.03

Region 1: Boyd, Carter, Elliott, Greenup

Region 2: Christian, Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Todd, Trigg, Union, Webster

Region 3: Harlan, Lewis, Mason, Perry, Roberston

<u>Carrier</u>	<u>Medicare Rate</u>		<u>Contracts in Force</u>	
	Low	High	Low	High
	<u>Option</u>	<u>Option</u>	<u>Option</u>	<u>Option</u>
Anthem BC/BS	101.26	231.35	2,839	17,314
Bankers Life	91.78	216.94	272	156
Option 2000	83.05	216.51	504	1,767
Humana	85.00	247.00	490	1,729
Gold Plus	85.00	136.00	17	507

*Weighted average of current rates available from different carriers; weighting based on number of contracts in force.

In determining the target Entry Age Funding rate in valuations beginning with 1996, it was assumed that medical contribution rates would grow at the following annual levels:

<u>Years</u>	<u>Medical Increase</u>
2001 - 2002	12%
2003 - 2005	10%
2006 - 2010	9%
2011 - 2015	8%
2016 - 2020	7.5%
Thereafter	7%

The assumed rate of growth in number of retirees receiving medical insurance was based on assumed retirement and mortality patterns used throughout the valuation.

(11) Missing data

- For those active members with incomplete data, the following assumptions were made:
 - . If reported salary was zero or blank, then monthly salary was assumed to be \$887.58
 - . If reported age was blank, then assume current age equal to age 18 plus years of service reported

(12) Members with Multiple
Service Records

- For active members with service in more than one system, the liability has been valued as follows:
 - . Service under all systems is aggregated for purposes of determining benefit eligibility.
 - . Future service is projected only under the system in which the member is currently active.
 - . The actual benefit under each system is determined based only on service (past and projected future service, if applicable) under that system.
 - . The liability is determined under each system based on the actuarial assumptions used for the system in which the member is currently active. This liability is then included in the valuation of the system in which the service has been earned (or is projected to be earned).

For inactive members with service in more than one system, the benefit attributable to the service under each system is determined, and the liability for that benefit is then included in the valuation of the system in which the service was earned.

Changes in assumptions from those used in 2000 valuation.

B. SAMPLE RATES FOR NON-HAZARDOUS POSITION EMPLOYEES*

(1) Annual Rates of Mortality:

<u>Age</u>	<u>Active Mortality</u>		<u>Disabled Mortality</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
25	0.05%	0.03%	4.83%	2.63%
30	0.06%	0.03%	3.62%	2.37%
40	0.12%	0.07%	2.82%	2.09%
50	0.40%	0.16%	3.83%	2.57%
55	0.61%	0.25%	4.82%	2.95%
60	0.92%	0.42%	6.03%	3.31%

(2) Annual Rates of Decrement:

<u>Age</u>	<u>Disablement</u>	<u>Ultimate Termination</u>
25	0.033%	2.40%
30	0.039%	2.40%
40	0.105%	2.00%
50	0.423%	1.60%
55	0.794%	1.20%
60	1.395%	0.20%

(3) Select Rates of Termination:

<u>Years of Service</u>	<u>Select Termination</u>	
	<u>Non-Hazardous</u>	<u>Hazardous</u>
1	35.0%	30.0%
2	10.0%	8.0%
3	7.0%	4.0%
4	5.0%	4.0%
5	4.0%	4.0%

(4) Compensation Progression (after 1st 3 Years):

<u>Age</u>	<u>Rate of Annual Increase</u>	<u>Compensation at Normal Retirement as Percentage Of Current Annual Compensation</u>
25	6.50%	1,241.6%
30	6.50%	906.2%
40	6.50%	482.8%
50	6.50%	257.2%
55	6.50%	187.7%
60	6.50%	137.0%

*Sample rates for hazardous position employees (other than select termination) are included in the State Police Retirement System valuation.

SECTION III

RESULTS OF THE 2001 ACTUARIAL VALUATION

Determination of Contribution Rate

The rate of contribution by the State required to provide 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, the employer share of the Normal Cost, medical insurance and the expenses of administration, is shown in Table I. The required contribution is expressed both in dollars and as a percentage of the estimated annual State payroll as of June 30, 2001.

The actuarial methods applied to determine the Normal Cost for the year commencing July 1, 2001 are described in Section II. These costs are classified by type of benefit. The Normal Cost contribution rate of the State is determined by reducing the total Normal Cost by the expected employee contributions. A breakdown of actuarial liabilities and costs between Hazardous and Non-Hazardous position employees appears in Table II for the Retirement Fund and Table IV for the Insurance Fund. A breakdown of the total Unfunded Actuarial Accrued Liability into the amortization amounts by year is shown in Table III for the Retirement Fund and Table V for the Insurance Fund. Table VI has been included to show an estimate of projected payouts from the funds over the next 10 years based on current plan provisions and actuarial assumptions.

Actuarial Balance Sheet

Table VII is the actuarial balance sheet of the Kentucky Employees Retirement System as of June 30, 2001 for the Retirement Fund. Table VIII is the actuarial balance sheet for the Insurance Fund. The "actuarial balance sheet" displays the fundamental relationship between actual assets, future contributions, and future benefits. The asset side of the balance sheet is comprised of actual fund assets plus the actuarial present value of future contributions on behalf of current members. The actuarial present values of all projected benefit payments to present active and inactive members make up the balance sheet liabilities.

Accountant's Information

Table IX contains additional information needed to comply with GASB disclosure requirements for the Retirement Fund.

Table X contains information needed to comply under GASB Statement No. 12 relative to the Insurance Fund.

TABLE I KENTUCKY EMPLOYEES RETIREMENT SYSTEM RETIREMENT AND INSURANCE FUND DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 2001		
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND		
		Percent *
Total Actuarial Accrued Liability	\$ 5,729,229,055	347.49%
Assets at Actuarial Value	7,206,420,161	437.09%
Unfunded Actuarial Accrued Liability	\$ (1,477,191,106)	(89.60%)
Contribution - Payment on Unfunded Actuarial Accrued Liability	\$ (75,262,003)	(4.56%)
NORMAL COST - RETIREMENT FUND		
Retirement Benefits	\$ 132,622,005	8.04%
Disability Benefits	16,000,088	0.97%
Withdrawal Benefits (Vested and Refund of Contributions)	11,052,931	0.67%
Survivor Benefits	8,420,856	0.51%
Total Normal Cost	\$ 168,095,880	10.19%
Less: Employee Contributions	85,224,762	5.17%
Normal Cost - State	\$ 82,871,118	5.02%
TOTAL ANNUAL EMPLOYER COST - RETIREMENT AND INSURANCE FUND		
Non-Hazardous Duty Cost		
Normal Cost	\$ 71,104,685	4.66% **
Payment on Unfunded Actuarial Accrued Liability	(71,246,407)	(4.67%) **
Administrative Expense	5,364,981	0.35% **
Subtotal - Retirement Fund (Not Less Than Zero)	\$ 5,223,259	0.34% **
Group Hospital and Medical Insurance Premiums	84,642,494	5.55% **
Total Annual Cost	\$ 89,865,753	5.89% **
Hazardous Duty Cost		
Normal Cost	\$ 11,766,433	9.52% ***
Payment on Unfunded Actuarial Accrued Liability	(4,015,596)	(3.25%) ***
Administrative Expense	374,301	0.30% ***
Subtotal - Retirement Fund (Not Less Than Zero)	\$ 8,125,138	6.57% ***
Group Hospital and Medical Insurance Premiums	15,171,537	12.27% ***
Total Annual Cost	\$ 23,296,675	18.84% ***
Based on estimated annual salaries		
* Total	\$ 1,648,737,395	
** Non-Hazardous Position Employees	\$ 1,525,089,988	
*** Hazardous Position Employees	\$ 123,647,407	

TABLE II KENTUCKY EMPLOYEES RETIREMENT SYSTEM RETIREMENT FUND CLASSIFICATION OF ACTUARIAL LIABILITIES AND COSTS - JUNE 30, 2001			
	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL ACCRUED LIABILITY			
Active Members			
Retirement Benefits	\$ 2,382,224,431	\$ 180,582,151	\$ 2,562,806,582
Disability Benefits	157,611,834	10,217,619	167,829,453
Withdrawal Benefits (Vested and Refund of Contributions)	85,133,457	904,066	86,037,523
Survivor Benefits	149,310,476	7,117,656	156,428,132
Total - Actives	\$ 2,774,280,198	\$ 198,821,492	\$ 2,973,101,690
Inactive Members			
Retired Members and Beneficiaries	\$ 2,621,725,952	\$ 83,538,933	\$ 2,705,264,885
Vested Retirement	34,959,866	2,055,232	37,015,098
Vested Membership	13,069,278	778,104	13,847,382
Total - Inactives	\$ 2,669,755,096	\$ 86,372,269	\$ 2,756,127,365
Total Actuarial Accrued Liability	\$ 5,444,035,294	\$ 285,193,761	\$ 5,729,229,055
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	\$ 5,444,035,294	\$ 285,193,761	\$ 5,729,229,055
Less Actuarial Value of Assets	6,844,742,687	361,677,475	7,206,420,161
Unfunded Actuarial Accrued Liability	\$ (1,400,707,393)	\$ (76,483,714)	\$ (1,477,191,106)
NORMAL COST			
Retirement Benefits	\$ 115,043,802	\$ 17,578,203	\$ 132,622,005
Disability Benefits	14,069,688	1,930,400	16,000,088
Withdrawal Benefits (Vested and Refund of Contributions)	10,283,646	769,285	11,052,931
Survivor Benefits	7,497,420	923,436	8,420,856
Total Normal Cost	\$ 146,894,556	\$ 21,201,324	\$ 168,095,880
Less Employee Contributions	75,789,871	9,434,891	85,224,762
Total Normal Cost - State	\$ 71,104,685	\$ 11,766,433	\$ 82,871,118

TABLE III
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND - JUNE 30, 2001

Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
Non-Hazardous Position Employees				
6/30/1990	\$ 256,534,456	\$ 320,210,968	\$ 21,867,527	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1991	103,692,389	128,098,504	\$ 8,425,551	Experience gains/losses for 7/1/1990 to 6/30/1991
6/30/1992	(212,448,599)	(259,120,054)	\$ (16,455,160)	Experience gains/losses for 7/1/1991 to 6/30/1992; Retiree COLA's; Asset valuation method change
6/30/1993	(57,917,315)	(69,590,195)	\$ (4,276,039)	Experience gains/losses for 7/1/1992 to 6/30/1993; State contribution shortfall
6/30/1994	59,519,052	70,310,083	\$ 4,188,653	Experience gains/losses for 7/1/1993 to 6/30/1994; Retiree COLA's; State contribution shortfall
6/30/1995	65,659,241	76,117,631	\$ 4,404,471	Experience gains/losses for 7/1/1994 to 6/30/1995
6/30/1996	(188,573,585)	(214,176,369)	\$ (12,057,487)	Experience gains/losses for 7/1/1995 to 6/30/1996; Revised actuarial assumptions; Correction of pension allocation for members in pay status with both non-hazardous and hazardous service in KERS
6/30/1997	(277,888,742)	(308,486,216)	\$ (16,922,320)	Experience gains/losses for 7/1/1996 to 6/30/1997; 2.8% retiree COLA effective 8/1/1996
6/30/1998	(326,522,755)	(353,786,834)	\$ (18,936,794)	Experience gains/losses for 7/1/1997 to 6/30/1998; Increase in death benefit from \$2,500 to \$5,000; 3.0% retiree COLA effective 7/1/1997
6/30/1999	(362,615,121)	(382,978,122)	\$ (20,028,607)	Experience gains/losses for 7/1/1998 to 6/30/1999; 2.3% retiree COLA effective 7/1/1998; Benefit multiplier change effective
6/30/2000	(964,739,576)	(992,010,673)	\$ (50,749,282)	Experience gains/losses for 7/1/1999 to 6/30/2000; 1.6% retiree COLA effective 7/1/1999
6/30/2001	584,703,884	584,703,884	\$ 29,293,080	Experience gains/losses for 7/1/2000 to 6/30/2001; 2.2% retiree COLA effective 7/1/2000; 3-year average earnings window
Total	\$ (1,320,596,671)	\$ (1,400,707,393)	\$ (71,246,407)	

TABLE III (Continued)				
KENTUCKY EMPLOYEES RETIREMENT SYSTEM				
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND - JUNE 30, 2001				
Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
Hazardous Position Employees				
6/30/1990	\$ (366,782)	\$ (457,824)	\$ (31,265)	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1991	8,515,857	10,520,238	691,958	Experience gains/losses for 7/1/1990 to 6/30/1991
6/30/1992	(2,222,347)	(2,710,559)	(172,131)	Experience gains/losses for 7/1/1991 to 6/30/1992; Retiree COLA's; Asset valuation method change
6/30/1993	1,873,766	2,251,411	138,340	Experience gains/losses for 7/1/1992 to 6/30/1993; State contribution shortfall
6/30/1994	2,736,468	3,232,600	192,579	Experience gains/losses for 7/1/1993 to 6/30/1994; Retiree COLA's; State contribution shortfall
6/30/1995	4,677,834	5,422,931	313,792	Experience gains/losses for 7/1/1994 to 6/30/1995
6/30/1996	(33,735,166)	(38,315,417)	(2,157,043)	Experience gains/losses for 7/1/1995 to 6/30/1996; Revised actuarial assumptions; Correction of pension allocation for members in pay status with both non-hazardous and hazardous service in KERS
6/30/1997	(7,971,975)	(8,849,744)	(485,462)	Experience gains/losses for 7/1/1996 to 6/30/1997; 2.8% retiree COLA effective 8/1/1996
6/30/1998	(13,896,455)	(15,056,785)	(805,929)	Experience gains/losses for 7/1/1997 to 6/30/1998; Revised average salary definition from 5 years to 3 years; Increase in death benefit from \$2,500 to \$5,000; 3.0% retiree COLA effective 7/1/1997
6/30/1999	(13,902,335)	(14,683,034)	(767,879)	Experience gains/losses for 7/1/1998 to 6/30/1999; 2.3% retiree COLA effective 7/1/1998
6/30/2000	(35,735,060)	(36,745,212)	(1,879,812)	Experience gains/losses for 7/1/1999 to 6/30/2000; 1.6% retiree COLA effective 7/1/1999
6/30/2001	18,907,681	18,907,681	947,256	Experience gains/losses for 7/1/2000 to 6/30/2001; 2.2% retiree COLA effective 7/1/2000
Total	\$ (71,118,514)	\$ (76,483,714)	\$ (4,015,596)	

TABLE IV KENTUCKY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND DETERMINATION OF ENTRY AGE CONTRIBUTION RATE - JUNE 30, 2001			
	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL ACCRUED LIABILITY			
Active Members	\$ 985,035,272	\$ 137,293,626	\$ 1,122,328,898
Inactive Members			
Retired Members	\$ 730,675,961	\$ 60,211,381	\$ 790,887,342
Beneficiaries	1,126,182	13,157,907	14,284,089
Vested Retirement	52,745,683	3,787,908	56,533,591
Vested Membership	0	0	0
Total - Inactives	\$ 784,547,826	\$ 77,157,196	\$ 861,705,022
Total Actuarial Accrued Liability	\$ 1,769,583,098	\$ 214,450,822	\$ 1,984,033,920
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	\$ 1,769,583,098	\$ 214,450,822	\$ 1,984,033,920
Less Actuarial Value of Assets	449,630,605	119,372,742	569,003,346
Unfunded Actuarial Accrued Liability	\$ 1,319,952,493	\$ 95,078,080	\$ 1,415,030,574
NORMAL COST			
Gross Normal Cost	\$ 81,313,764	\$ 18,122,736	\$ 99,436,500
Less Employee Contributions	0	0	0
Net Normal Cost - State	\$ 81,313,764	\$ 18,122,736	\$ 99,436,500
Estimated Annual Salaries	\$ 1,525,089,988	\$ 123,647,407	\$ 1,648,737,395
TOTAL ANNUAL EMPLOYER COST			
Contribution Amount			
Normal Cost	\$ 81,313,764	\$ 18,122,736	\$ 99,436,500
Payment on Unfunded Actuarial Accrued Liability	72,885,260	5,255,159	78,140,419
Total Annual Cost	\$ 154,199,024	\$ 23,377,895	\$ 177,576,919
As Percent of Payroll			
Normal Cost	5.33%	14.66%	6.03%
Payment on Unfunded Actuarial Accrued Liability	4.78%	4.25%	4.74%
Total Annual Cost	10.11%	18.91%	10.77%
INSURANCE FUND SHORTFALL			
Full Entry Age Funding Level	10.11%	18.91%	10.77%
Current Funding Allocation *	4.67%	11.14%	0.00%
Additional to Pick Up By 2016	5.44%	7.77%	10.77%
Expected Increase in Insurance Fund Rate in 2002 Valuation	0.00%	0.00%	N/A
* Without regard to any one-year temporary adjustments for actuarial gains			

TABLE V KENTUCKY EMPLOYEES RETIREMENT SYSTEM UNFUNDED ACTUARIAL ACCRUED LIABILITY - INSURANCE FUND - JUNE 30, 2001				
Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
Non-Hazardous Position Employees				
6/30/1996	\$ 988,745,810	\$1,122,988,610	\$ 63,220,890	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1997	(31,222,593)	(34,660,416)	(1,901,332)	Experience gains/losses for 7/1/1996 to 6/30/1997; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1998	19,914,214	21,577,017	1,154,931	Experience gains/losses for 7/1/1997 to 6/30/1998; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1999	(69,145,663)	(73,028,604)	(3,819,177)	Experience gains/losses for 7/1/1998 to 6/30/1999; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2000	44,198,913	45,448,321	2,325,045	Experience gains/losses for 7/1/1999 to 6/30/2000; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2001	237,627,565	237,627,565	11,904,903	Experience gains/losses for 7/1/2000 to 6/30/2001; Impact of actual insurance fund contributions vs. full entry age amounts
Total	\$1,190,118,246	\$1,319,952,493	\$ 72,885,260	
Hazardous Position Employees				
6/30/1996	\$ 61,002,123	\$ 69,284,431	\$ 3,900,506	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1997	15,100,456	16,763,122	919,558	Experience gains/losses for 7/1/1996 to 6/30/1997; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1998	2,832,306	3,068,799	164,261	Experience gains/losses for 7/1/1997 to 6/30/1998; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1999	(10,377,564)	(10,960,325)	(573,192)	Experience gains/losses for 7/1/1998 to 6/30/1999; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2000	(3,445,265)	(3,542,656)	(181,235)	Experience gains/losses for 7/1/1999 to 6/30/2000; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2001	20,464,709	20,464,709	1,025,261	Experience gains/losses for 7/1/2000 to 6/30/2001; Impact of actual insurance fund contributions vs. full entry age amounts
Total	\$ 85,576,765	\$ 95,078,080	\$ 5,255,159	

**TABLE VI
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
BENEFIT PAYMENT PROJECTIONS**

RETIREMENT FUND PAYMENT PROJECTIONS

Plan Year	Non-Hazardous Position Employees	Hazardous Position Employees	Total
7/1/2001 to 6/30/2002	314,660,000	11,226,000	325,886,000
7/1/2002 to 6/30/2003	333,058,000	13,008,000	346,066,000
7/1/2003 to 6/30/2004	352,130,000	14,770,000	366,900,000
7/1/2004 to 6/30/2005	373,663,000	16,838,000	390,501,000
7/1/2005 to 6/30/2006	398,377,000	19,125,000	417,502,000
7/1/2006 to 6/30/2007	426,620,000	21,699,000	448,319,000
7/1/2007 to 6/30/2008	456,677,000	25,101,000	481,778,000
7/1/2008 to 6/30/2009	490,726,000	29,156,000	519,882,000
7/1/2009 to 6/30/2010	524,749,000	33,535,000	558,284,000
7/1/2010 to 6/30/2011	561,348,000	37,615,000	598,963,000

INSURANCE FUND PAYMENT PROJECTIONS

Plan Year	Non-Hazardous Position Employees	Hazardous Position Employees	Total
7/1/2001 to 6/30/2002	47,680,000	4,144,000	51,824,000
7/1/2002 to 6/30/2003	54,005,000	4,895,000	58,900,000
7/1/2003 to 6/30/2004	60,485,000	5,697,000	66,182,000
7/1/2004 to 6/30/2005	67,313,000	6,605,000	73,918,000
7/1/2005 to 6/30/2006	75,199,000	7,683,000	82,882,000
7/1/2006 to 6/30/2007	83,779,000	8,849,000	92,628,000
7/1/2007 to 6/30/2008	92,595,000	10,271,000	102,866,000
7/1/2008 to 6/30/2009	102,629,000	11,970,000	114,599,000
7/1/2009 to 6/30/2010	114,124,000	14,088,000	128,212,000
7/1/2010 to 6/30/2011	126,747,000	16,248,000	142,995,000

Projected benefit payments reflect future actual experience consistent with actuarial assumptions used in current annual valuation. Future cost-of-living adjustments of 3% per annum have been assumed in retirement benefit amounts. Insurance fund payments reflect future medical inflation rates consistent with the valuation assumption. There has not been any assumption made as to the number of future new entrants who may enter the plan. Nor has any provision been made for any change in the basic benefit structure of the plan beyond changes already legislated.

TABLE VII KENTUCKY EMPLOYEES RETIREMENT SYSTEM RETIREMENT FUND ACTUARIAL BALANCE SHEET - JUNE 30, 2001		
ACTUARIAL ASSETS		
Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		\$ 7,206,420,161
Actuarial Present Value of Future Member Contributions		984,772,747
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	\$ 880,066,904	
For Unfunded Actuarial Accrued Liability	(1,477,191,106)	
Total		\$ (597,124,202)
Total Actuarial Assets		\$ 7,594,068,706
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	\$ 2,705,264,885	
Vested Retirement	37,015,098	
Vested Membership	13,847,382	
Total - Inactive		\$ 2,756,127,365
Actuarial Present Value of Future Benefits		
Active Members:		
Retirement Benefits	\$ 4,034,992,143	
Disability Benefits	335,398,531	
Withdrawal Benefits (Vested and Refund of Contributions)	219,022,476	
Survivor Benefits	248,528,191	
Total - Active		\$ 4,837,941,341
Refunds and Expenses Payable		\$ 0
Total Actuarial Liabilities		\$ 7,594,068,706
Notes		
* Values as of June 30, 2001		
Market value of assets:	Non-Hazardous	\$ 5,484,563,749
	Hazardous	\$ 305,543,701
	Total	\$ 5,790,107,450
Actuarial value of assets:		\$ 7,206,420,161
Member's Contribution Account:		\$ 895,839,477
** Present value of accrued benefit deferred to normal retirement date.		

TABLE VIII
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
INSURANCE FUND
ACTUARIAL BALANCE SHEET - JUNE 30, 2001

ACTUARIAL ASSETS		
Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		\$ 569,003,346
Actuarial Present Value of Future Member Contributions (Note: All Future Member Contributions Credited Against Retirement Fund)		0
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	\$ 1,183,577,357	
For Unfunded Actuarial Accrued Liability	1,415,030,574	
Total		\$ 2,598,607,931
Total Actuarial Assets		\$ 3,167,611,277
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	\$ 805,171,431	
Vested Retirement	56,533,591	
Vested Membership	0	
Total - Inactive		\$ 861,705,022
Actuarial Present Value of Future Benefits		
Active Members:		\$ 2,305,906,255
Refunds and Expenses Payable		\$ 0
Total Actuarial Liabilities		\$ 3,167,611,277
Notes		
* Values as of June 30, 2001		
Market value of assets:	Non-Hazardous	\$ 396,254,063
	Hazardous	\$ 107,592,284
	Total	\$ 503,846,347
Actuarial value of assets:		\$ 569,003,346

TABLE IX KENTUCKY EMPLOYEES RETIREMENT SYSTEM ACCOUNTANT'S INFORMATION - RETIREMENT FUND - JUNE 30, 2001 GASB DISCLOSURE INFORMATION			
	Non-Hazardous Position Employees	Hazardous Position Employees	Total
NUMBER OF MEMBERS			
Inactive Members			
Retired Members	21,440	933	22,373
Beneficiaries	3,678	120	3,798
Vested Retirements	3,312	123	3,435
Vested Membership	13,429	799	14,228
Total Inactive Members	41,859	1,975	43,834
Active Members			
Vested Members	31,020	2,138	33,158
Nonvested Members	16,760	2,090	18,850
Total Active Members	47,780	4,228	52,008
Total Members	89,639	6,203	95,842

TABLE X
KENTUCKY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - INSURANCE FUND - JUNE 30, 2001
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 12

		Non-Hazardous Position Employees	Hazardous Position Employees	Total
NUMBER OF MEMBERS				
Contracts in Force - Retirees and Dependents				
(1) Single;	- 100% Paid	4,091	221	4,312
Pre-Medicare	- 75% Paid	232	24	256
	- 50% Paid	219	44	263
	- 25% Paid	118	12	130
	- 0% Paid	539	1	540
(2) Family;	- 100% Paid	391	64	455
Pre-Medicare	- 75% Paid	7	5	12
	- 50% Paid	3	5	8
	- 25% Paid	6	3	9
	- 0% Paid	1	0	1
(3) Parent +;	- 100% Paid	287	33	320
Pre-Medicare	- 75% Paid	6	12	18
	- 50% Paid	7	3	10
	- 25% Paid	2	3	5
	- 0% Paid	44	0	44
(4) Couple;	- 100% Paid	609	72	681
Pre-Medicare	- 75% Paid	20	6	26
	- 50% Paid	17	21	38
	- 25% Paid	13	9	22
	- 0% Paid	3	0	3
(5) Medicare Regular	- 100% Paid	712	35	747
	- 75% Paid	0	0	0
	- 50% Paid	0	0	0
	- 25% Paid	396	17	413
	- 0% Paid	710	0	710
(6) Medicare High	- 100% Paid	5,798	261	6,059
Option	- 75% Paid	1,666	59	1,725
	- 50% Paid	1,227	72	1,299
	- 25% Paid	596	27	623
	- 0% Paid	1,820	1	1,821
Vested Retirements		3,312	123	3,435
Vested Membership		13,429	799	14,228
Active Members		47,780	4,228	52,008
UNFUNDED MEDICAL BENEFIT OBLIGATION				
Medical Benefit Obligation				
Retirees, Beneficiaries and				
Vested Terminated Members		\$ 784,547,826	\$ 77,157,196	\$ 861,705,022
Active Members		985,035,272	137,293,626	1,122,328,898
Total Medical Benefit Obligation		\$ 1,769,583,098	\$ 214,450,822	\$ 1,984,033,920
Net Assets at Actuarial Value		\$ 449,630,605	\$ 119,372,742	\$ 569,003,346
Unfunded Medical Benefit Obligation		\$ 1,319,952,493	\$ 95,078,080	\$ 1,415,030,574
NOTE: Medical Benefit Obligation based on Entry Age Normal Actuarial Cost Method				

SECTION IV

COMMENTS AND CERTIFICATION

Comments

For the Retirement Fund, the total Actuarial Accrued Liability has increased from \$5,120,191,329 on June 30, 2000 to \$5,729,225,055 on June 30, 2001. The Unfunded Actuarial Accrued Liability has increased from \$(2,022,697,595) to \$(1,477,191,106). Total actuarial value of assets as of June 30, 2001 was equal to \$7,206,420,161. The Unfunded Actuarial Accrued Liability increased from (130.71%) to (89.60%) as a percentage of annual payroll and increased from (39.5%) to (25.8%) as a percentage of the Actuarial Accrued Liability in the year ended June 30, 2001.

For the Insurance Fund, the total Actuarial Accrued Liability has increased from \$1,632,642,971 on June 30, 2000 to \$1,984,033,920 on June 30, 2001. The Unfunded Actuarial Accrued Liability has increased from \$1,130,870,482 to \$1,415,030,574. Total actuarial value of assets as of June 30, 2001 was equal to \$569,003,346. The Unfunded Actuarial Accrued Liability increased from 69.3% to 71.3% as a percentage of the Actuarial Accrued Liability in the year ended June 30, 2001.

The change in contribution rate between the 2000 and 2001 valuations is a function of actual plan experience since the last valuation. A formal gain and loss analysis would identify the portion of the contribution rate change attributable to each element of plan experience and benefit change. However, undertaking such an analysis would be extremely time consuming and expensive. In lieu of the formal analysis, we have estimated the impact of the various components of gain and loss based on changes in statistical averages of each group. The following table shows the results of this computation:

	Non-Hazardous Position Employees	Hazardous Position Employees
June 30, 2000 Contribution Rate	5.89%	18.84%
Change in Payment Percentage Due to Covered Payroll Experience	0.10%	0.10%
Investment Return Experience		
> Prior to Asset Valuation Method Change	0.06%	0.04%
> Impact of Asset Valuation Method Change	1.05%	0.53%
Salary Increase Experience	0.28%	0.11%
Decrements Experience*	0.02%	(0.06%)
Change in Insurance Fund Rate		
> One-Year Temporary Funding Rate	(0.57%)	(0.78%)
> Increase in Long Term Funding Rate	0.23%	0.39%
Change in Administrative Expense Rate	(0.13%)	(0.13%)
Retiree COLA Effective 7/1/2000	0.19%	0.07%
Legislated Changes		
> 3 Year Average Window for Nonhazardous	0.25%	0.00%
Change in Actuarial Assumptions	0.13%	(0.27%)
Reduction in Amount Available from Prior Year Retirement Fund Rate to Offset Current Year Increases	(1.61%)	N/A
June 30, 2001 Contribution Rate	5.89%	18.84%

* Includes mortality, disability, termination of employment and retirement experience.

The annual State contribution rate required to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Non-Hazardous position employees was determined at 0.34%. An additional 5.55% is required to fund medical insurance for retirees, bringing the required contribution up to 5.89%. This is the same as the current 5.89% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 2002 should remain at the 5.89% level, and we so recommend.

The annual State contribution rate required to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Hazardous position employees was determined at 6.57%. An additional 12.27% is required to fund medical insurance for retirees, bringing the required contribution up to 18.84%. This is the same as the current 18.84% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 2002 should remain at the 18.84% level, and we so recommend.

The recommended contribution rates are based on current statutory benefits. The budgeted contribution rates will again be reviewed in the June 30, 2002 valuation.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to retirement related benefits at selected intervals since the inception of the System.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM - RETIREMENT FUND					
July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value of Assets	Increase in Assets
1956	\$ 16,200,000	\$ 16,200,000	100.0%	\$ 0	\$ 0
1961	49,201,024	31,670,465	64.4%	17,530,559	4,479,508
1966	127,889,238	72,137,125	56.4%	55,752,113	9,085,814
1971	185,075,453	59,614,477	32.2%	125,460,976*	18,353,116
1975	296,343,758	77,434,549	26.1%	218,909,209*	26,529,526
1976	387,214,910	130,838,120	33.8%	256,376,790*	37,467,581
1977	446,255,236	149,511,331	33.5%	296,743,905*	40,367,115
1978	507,324,915	168,497,917	33.2%	338,826,998*	42,083,093
1979	592,095,113	202,676,662	34.2%	389,418,451*	50,591,453
1980	710,126,703	249,770,835	35.2%	460,355,868*	70,937,417
1981	692,160,395	164,735,129	23.8%	527,425,266	67,069,398
1982	810,250,589	195,803,691	24.2%	614,446,898	87,021,632
1983	862,291,959	152,196,081	17.7%	710,095,878	95,648,980
1984	1,016,088,830	201,535,007	19.8%	814,553,823	104,457,945
1985	1,104,429,988	169,949,215	15.4%	934,480,773	119,926,950
1986	1,245,083,143	166,635,243	13.4%	1,079,353,421	144,872,648
1987	1,384,259,808	120,259,389	8.7%	1,264,000,419	184,646,998
1988	1,561,743,738	135,687,336	8.7%	1,426,056,402	162,055,983
1989	1,734,607,903	145,998,805	8.4%	1,588,609,098	162,552,696
1990	2,055,489,412	256,167,674	12.5%	1,799,321,738	210,712,640
1991	2,288,611,147	375,396,216	16.4%	1,913,214,931	113,893,193
1992**	2,525,190,930	170,708,609	6.8%	2,354,482,321	441,267,390
1993	2,703,771,076	118,561,539	4.4%	2,585,209,537	230,727,216
1994	2,912,050,275	183,001,288	6.3%	2,729,048,987	143,839,450
1995	3,240,852,288	257,038,750	7.9%	2,983,813,538	244,764,551
1996	3,415,404,483	40,108,906	1.2%	3,375,295,577	391,482,039
1997	3,603,966,110	(246,746,133)	(6.8%)	3,850,712,243	475,416,666
1998	3,971,749,822	(596,537,421)	(15.0%)	4,568,287,243	717,575,000
1999	4,531,905,609	(992,274,107)	(21.9%)	5,524,179,716	955,892,473
2000	5,120,191,329	(2,022,697,595)	(39.5%)	7,142,888,924	1,618,709,208
2001***	5,729,229,055	(1,477,191,106)	(25.8%)	7,206,420,161	63,531,237
*Includes capitalized appreciation of investments.					
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.					
***Change in asset valuation method effective in this valuation to 5-year smoothing of investment gains/(losses).					

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to medical premium benefits since 1990.

KENTUCKY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND					
July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value of Assets	Increase in Assets
1990	\$ 719,493,806	\$ 686,770,874	95.5%	\$ 32,722,932	\$ N/A
1991	804,674,050	758,124,715	94.2%	46,549,335	13,826,403
1992	1,001,703,695	939,238,069	93.8%	62,465,626	15,916,291
1993	1,177,861,283	1,100,187,708	93.4%	77,673,575	15,207,949
1994	1,444,612,678	1,345,529,145	93.1%	99,083,533	21,409,958
1995	1,462,174,101	1,334,881,910	91.3%	127,292,191	28,208,658
1996**	1,222,394,138	1,049,747,933	85.9%	172,646,205	45,354,014
1997	1,274,464,242	1,063,299,895	83.4%	211,164,347	38,518,142
1998	1,379,578,155	1,114,866,185	80.8%	264,711,970	53,547,623
1999	1,422,523,386	1,064,238,850	74.8%	358,284,536	93,572,566
2000	1,632,642,971	1,130,870,482	69.3%	501,772,489	143,487,953
2001***	1,984,033,920	1,415,030,574	71.3%	569,003,346	67,230,857
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.					
***Change in asset valuation method effective in this valuation to 5-year smoothing of investment gains/(losses).					

Certification

On the basis of the actuarial assumptions given and the data furnished by the General Manager of the Kentucky Employees Retirement System, it is certified that the actuarial valuation has been made by the use of accepted actuarial principles and based on continuation of current funding policies adopted by the Board, that adequate provision is being made for the funding of future benefits.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Stephen A. Gagel, F.S.A.

Date

Edward W. Maynard, F.S.A.

Date

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SECTION V
STATISTICAL DATA
AS OF
JUNE 30, 2001

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

EARNINGS BY AGE GROUPS

AGE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0-19	858	16,520,472	19,255	91	1,536,756	16,887	949	18,057,228	19,028
20-24	1,432	31,304,532	21,861	1,097	19,710,446	17,968	2,529	51,014,978	20,172
25-29	1,446	35,273,198	24,394	2,656	59,307,067	22,329	4,102	94,580,265	23,057
30-34	1,987	57,667,238	29,022	3,248	82,720,424	25,468	5,235	140,387,662	26,817
35-39	2,233	75,641,508	33,874	3,607	100,308,362	27,809	5,840	175,949,870	30,128
40-44	2,696	100,328,858	37,214	4,366	131,174,848	30,045	7,062	231,503,706	32,782
45-49	3,085	124,411,140	40,328	4,801	158,086,052	32,928	7,886	282,497,192	35,823
50-54	2,921	129,174,165	44,223	4,066	137,359,146	33,782	6,987	266,533,311	38,147
55-59	1,846	81,543,708	44,173	2,454	79,344,055	32,333	4,300	160,887,763	37,416
60-64	906	37,979,239	41,920	1,137	35,891,016	31,566	2,043	73,870,255	36,158
65-69	276	12,279,768	44,492	299	8,438,328	28,222	575	20,718,096	36,031
70-74	103	4,420,752	42,920	96	2,580,948	26,885	199	7,001,700	35,184
75+	38	1,244,568	32,752	35	941,940	26,913	73	2,186,508	29,952
TOTAL	19,827	707,789,146	35,698	27,953	817,399,387	29,242	47,780	1,525,188,532	31,921

EARNINGS BY SERVICE GROUPS

SERVICE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0	1,332	26,217,535	19,683	1,542	27,959,768	18,132	2,874	54,177,303	18,851
1	2,229	54,658,046	24,521	3,275	68,450,675	20,901	5,504	123,108,721	22,367
2	2,000	53,557,653	26,779	2,369	55,600,315	23,470	4,369	109,157,968	24,985
3	1,151	34,177,250	29,694	1,457	35,715,523	24,513	2,608	69,892,773	26,799
4	1,046	31,577,676	30,189	1,467	36,585,192	24,939	2,513	68,162,868	27,124
0-4	7,758	200,188,160	25,804	10,110	224,311,472	22,187	17,868	424,499,632	23,758
5-9	3,279	109,226,419	33,311	5,309	146,590,306	27,612	8,588	255,816,725	29,788
10-14	2,871	108,584,724	37,821	4,680	143,239,602	30,607	7,551	251,824,326	33,350
15-19	2,045	86,596,992	42,346	2,875	100,325,556	34,896	4,920	186,922,548	37,992
20-24	1,361	60,142,351	44,190	2,126	77,058,139	36,246	3,487	137,200,490	39,346
25-29	1,469	75,381,828	51,315	1,889	78,185,388	41,390	3,358	153,567,216	45,732
30-34	769	47,655,672	61,971	757	36,595,032	48,342	1,526	84,250,704	55,210
35-39	214	15,094,752	70,536	172	9,056,028	52,651	386	24,150,780	62,567
40+	61	4,918,248	80,627	35	2,037,864	58,225	96	6,956,112	72,460
TOTAL	19,827	707,789,146	35,698	27,953	817,399,387	29,242	47,780	1,525,188,532	31,921

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

EARNINGS BY AGE GROUPS

AGE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0-19	60	894,163	14,903	3	58,104	19,368	63	952,267	15,115
20-24	168	3,148,260	18,740	35	637,920	18,226	203	3,786,180	18,651
25-29	337	7,234,476	21,467	113	2,480,940	21,955	450	9,715,416	21,590
30-34	384	9,370,008	24,401	156	3,663,648	23,485	540	13,033,656	24,136
35-39	399	11,020,116	27,619	160	4,104,156	25,651	559	15,124,272	27,056
40-44	387	11,908,668	30,772	191	5,998,692	31,407	578	17,907,360	30,982
45-49	425	14,221,860	33,463	211	6,634,788	31,444	636	20,856,648	32,793
50-54	505	18,700,344	37,030	162	4,932,132	30,445	667	23,632,476	35,431
55-59	280	10,244,544	36,588	86	2,683,320	31,201	366	12,927,864	35,322
60-64	100	3,473,664	34,737	33	1,076,412	32,619	133	4,550,076	34,211
65-69	21	692,592	32,981	6	217,944	36,324	27	910,536	33,724
70-74	4	159,732	39,933	2	90,924	45,462	6	250,656	41,776
75+	0	0	0	0	0	0	0	0	0
TOTAL	3,070	91,068,427	29,664	1,158	32,578,980	28,134	4,228	123,647,407	29,245

EARNINGS BY SERVICE GROUPS

SERVICE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0	278	4,382,383	15,764	113	1,991,496	17,624	391	6,373,879	16,301
1	429	9,288,276	21,651	169	3,769,680	22,306	598	13,057,956	21,836
2	241	5,883,360	24,412	119	3,033,324	25,490	360	8,916,684	24,769
3	290	9,439,380	32,550	91	2,287,200	25,134	381	11,726,580	30,778
4	157	4,252,404	27,085	80	2,069,580	25,870	237	6,321,984	26,675
0-4	1,395	33,245,803	23,832	572	13,151,280	22,992	1,967	46,397,083	23,588
5-9	544	16,465,812	30,268	213	6,171,984	28,976	757	22,637,796	29,905
10-14	864	29,965,080	34,682	309	10,530,924	34,081	1,173	40,496,004	34,523
15-19	179	7,289,772	40,725	41	1,747,224	42,615	220	9,036,996	41,077
20-24	50	2,187,672	43,753	23	977,568	42,503	73	3,165,240	43,359
25-29	32	1,600,368	50,012	0	0	0	32	1,600,368	50,012
30-34	5	239,064	47,813	0	0	0	5	239,064	47,813
35-39	1	74,856	74,856	0	0	0	1	74,856	74,856
40+	0	0	0	0	0	0	0	0	0
TOTAL	3,070	91,068,427	29,664	1,158	32,578,980	28,134	4,228	123,647,407	29,245

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

SERVICE GROUPS BY AGE GROUPS

MALE											
AGE	.....SERVICE									
	GROUP.....										
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	
0-19	849	6	1	1	1					858	
20-24	1,347	84	1							1,432	
25-29	1,152	284	10							1,446	
30-34	1,057	623	292	15						1,987	
35-39	773	495	625	313	27					2,233	
40-44	730	427	539	563	352	85				2,696	
45-49	690	444	474	423	402	527	125			3,085	
50-54	602	376	386	339	282	491	379	66		2,921	
55-59	352	292	277	205	162	242	188	106	22	1,846	
60-64	144	159	173	125	105	94	56	33	17	906	
65-69	35	59	62	39	20	21	15	7	18	276	
70-74	20	20	27	17	7	4	4	1	3	103	
75+	7	10	4	5	3	5	2	1	1	38	
TOTAL	7,758	3,279	2,871	2,045	1,361	1,469	769	214	61	19,827	

FEMALE											
AGE	.....SERVICE									
	GROUP.....										
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	
0-19	89				1	1				91	
20-24	1,057	36			2	1	1			1,097	
25-29	2,155	467	34							2,656	
30-34	1,654	1,044	514	36						3,248	
35-39	1,347	835	914	453	57	1				3,607	
40-44	1,320	865	807	635	569	170				4,366	
45-49	1,096	809	799	584	600	736	177			4,801	
50-54	795	642	767	531	413	496	370	52		4,066	
55-59	416	375	486	365	267	300	141	92	12	2,454	
60-64	132	168	251	202	152	146	50	19	17	1,137	
65-69	32	50	83	49	42	25	12	4	2	299	
70-74	9	16	17	17	16	9	5	4	3	96	
75+	8	2	8	3	7	4	1	1	1	35	
TOTAL	10,110	5,309	4,680	2,875	2,126	1,889	757	172	35	27,953	

TOTAL											
AGE	.....SERVICE									
	GROUP.....										
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	
0-19	938	6	1	1	2	1				949	
20-24	2,404	120	1		2	1	1			2,529	
25-29	3,307	751	44							4,102	
30-34	2,711	1,667	806	51						5,235	
35-39	2,120	1,330	1,539	766	84	1				5,840	
40-44	2,050	1,292	1,346	1,198	921	255				7,062	
45-49	1,786	1,253	1,273	1,007	1,002	1,263	302			7,886	
50-54	1,397	1,018	1,153	870	695	987	749	118		6,987	
55-59	768	667	763	570	429	542	329	198	34	4,300	
60-64	276	327	424	327	257	240	106	52	34	2,043	
65-69	67	109	145	88	62	46	27	11	20	575	
70-74	29	36	44	34	23	13	9	5	6	199	
75+	15	12	12	8	10	9	3	2	2	73	
TOTAL	17,868	8,588	7,551	4,920	3,487	3,358	1,526	386	96	47,780	

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

SERVICE GROUPS BY AGE GROUPS

<u>MALE</u>										<u>SERVICE</u>	
AGE		GROUP									
GROUP		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19		59	1								60
20-24		161	6	1							168
25-29		288	48	1							337
30-34		211	133	40							384
35-39		170	85	123	21						399
40-44		137	66	138	36	10					387
45-49		136	67	157	42	18	5				425
50-54		130	64	223	53	15	18	2			505
55-59		75	48	125	18	6	6	2			280
60-64		25	22	39	8	1	3	1	1		100
65-69		2	4	14	1						21
70-74		1		3							4
75+											0
TOTAL		1,395	544	864	179	50	32	5	1	0	3,070

<u>FEMALE</u>										<u>SERVICE</u>	
AGE		GROUP									
GROUP		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19		3									3
20-24		33	2								35
25-29		99	14								113
30-34		101	32	23							156
35-39		81	30	44	4	1					160
40-44		75	40	48	14	14					191
45-49		86	42	63	13	7					211
50-54		60	32	60	9	1					162
55-59		25	14	46	1						86
60-64		7	6	20							33
65-69		2	1	3							6
70-74				2							2
75+											0
TOTAL		572	213	309	41	23	0	0	0	0	1,158

<u>TOTAL</u>										<u>SERVICE</u>	
AGE		GROUP									
GROUP		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19		62	1								63
20-24		194	8	1							203
25-29		387	62	1							450
30-34		312	165	63							540
35-39		251	115	167	25	1					559
40-44		212	106	186	50	24					578
45-49		222	109	220	55	25	5				636
50-54		190	96	283	62	16	18	2			667
55-59		100	62	171	19	6	6	2			366
60-64		32	28	59	8	1	3	1	1		133
65-69		4	5	17	1						27
70-74		1		5							6
75+											0
TOTAL		1,967	757	1,173	220	73	32	5	1	0	4,228

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

AVERAGE EARNINGS FOR SERVICE GROUPS BY AGE GROUPS

AGE	SERVICE									
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	938	6	1	1	2	1				949
	18,764	31,618	98,544	30,024	52,434	33,408				19,028
20-24	2,404	120	1		2	1	1			2,529
	19,907	24,527	26,556		48,636	47,172	45,396			20,172
25-29	3,307	751	44							4,102
	22,354	25,854	28,134							23,057
30-34	2,711	1,667	806	51						5,235
	23,994	29,240	30,886	33,414						26,817
35-39	2,120	1,330	1,539	766	84	1				5,840
	24,942	30,384	33,751	36,179	35,422	32,136				30,128
40-44	2,050	1,292	1,346	1,198	921	255				7,062
	25,438	30,192	34,318	39,936	38,228	43,546				32,782
45-49	1,786	1,253	1,273	1,007	1,002	1,263	302			7,886
	25,905	30,646	34,132	39,004	41,678	45,399	52,997			35,823
50-54	1,397	1,018	1,153	870	695	987	749	118		6,987
	27,227	31,423	33,392	37,803	40,402	48,118	56,461	61,502		38,147
55-59	768	667	763	570	429	542	329	198	34	4,300
	26,579	30,596	32,663	38,018	37,751	44,421	55,428	63,340	71,393	37,416
60-64	276	327	424	327	257	240	106	52	34	2,043
	26,826	30,531	32,922	35,006	36,186	43,334	52,676	64,974	71,004	36,158
65-69	67	109	145	88	62	46	27	11	20	575
	26,108	27,957	33,233	34,521	36,545	47,521	55,453	51,301	77,582	36,031
70-74	29	36	44	34	23	13	9	5	6	199
	26,928	27,777	33,462	32,496	41,749	38,560	50,291	57,626	73,556	35,184
75+	15	12	12	8	10	9	3	2	2	73
	26,509	23,262	25,884	25,790	25,327	39,427	47,320	60,552	60,816	29,952
TOTAL	17,868	8,588	7,551	4,920	3,487	3,358	1,526	386	96	47,780
	23,758	29,788	33,350	37,992	39,346	45,732	55,210	62,567	72,460	31,921

TOTAL EARNINGS 1,525,188,532
AVERAGE SERVICE 42.45
AVERAGE AGE 10.37

Note: Earnings shown in this matrix have not been limited by 401(a)(17).

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

AVERAGE EARNINGS FOR SERVICE GROUPS BY AGE GROUPS

AGE	SERVICE									
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	62 14,944	1 25,728								63 15,115
20-24	194 18,428	8 23,678	1 21,756							203 18,651
25-29	387 20,840	62 26,156	1 28,548							450 21,590
30-34	312 21,323	165 27,106	63 30,291							540 24,136
35-39	251 23,452	115 28,139	167 30,322	25 36,143	1 34,500					559 27,056
40-44	212 25,885	106 29,792	186 34,428	50 37,409	24 41,156					578 30,982
45-49	222 27,208	109 31,399	220 35,182	55 42,607	25 43,272	5 45,749				636 32,793
50-54	190 29,543	96 33,541	283 36,436	62 44,183	16 45,210	18 52,321	2 41,754			667 35,431
55-59	100 30,454	62 36,159	171 36,356	19 39,975	6 45,310	6 48,226	2 51,450			366 35,322
60-64	32 31,046	28 30,282	59 33,603	8 49,017	1 65,976	3 46,832	1 52,656	1 74,856		133 34,211
65-69	4 19,506	5 40,476	17 35,385	1 28,584						27 33,724
70-74	1 33,276		5 43,476							6 41,776
75+										0
TOTAL	1,967 23,588	757 29,905	1,173 34,523	220 41,077	73 43,359	32 50,012	5 47,813	1 74,856	0	4,228 29,245

TOTAL EARNINGS 123,647,407
AVERAGE SERVICE 41.62
AVERAGE AGE 6.57

Note: Earnings shown in this matrix have not been limited by 401(a)(17).

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
TABULATION BY MONTHLY SALARY
JUNE 30, 2001

MONTHLY SALARY	NUMBER OF MEMBERS		
	MALES	FEMALES	TOTAL
UNDER \$ 500	122	91	213
\$ 500 - \$ 749	106	143	249
\$ 750 - \$ 999	249	540	789
\$ 1,000 - \$ 1,249	757	1,582	2,339
\$ 1,250 - \$ 1,499	1,692	2,706	4,398
\$ 1,500 - \$ 1,749	1,829	3,255	5,084
\$ 1,750 - \$ 1,999	1,719	3,070	4,789
\$ 2,000 - \$ 2,249	1,665	3,262	4,927
\$ 2,250 - \$ 2,499	1,502	2,662	4,164
\$ 2,500 - \$ 2,749	1,387	2,072	3,459
\$ 2,750 - \$ 2,999	1,234	1,879	3,113
\$ 3,000 - \$ 3,499	1,939	2,598	4,537
\$ 3,500 - \$ 3,999	1,461	1,619	3,080
\$ 4,000 - \$ 4,499	1,085	956	2,041
\$ 4,500 - \$ 4,999	825	607	1,432
\$ 5,000 - \$ 5,499	599	373	972
\$ 5,500 - \$ 5,999	496	218	714
\$ 6,000 - \$ 6,499	331	110	441
\$ 6,500 - \$ 6,999	219	74	293
\$ 7,000 - \$ 7,499	197	47	244
\$ 7,500 - \$ 7,999	105	21	126
\$ 8,000 - \$ 8,499	100	21	121
\$ 8,500 - \$ 8,999	59	11	70
\$ 9,000 - \$ 9,499	25	5	30
\$ 9,500 - \$ 9,999	21	8	29
\$ 10,000 AND OVER	103	23	126
TOTAL	19,827	27,953	47,780
HIGHLY COMPENSATED EMPLOYEES (ESTIMATED) ANNUAL SALARY OF \$85,000 AND OVER	572	123	695

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
TABULATION BY MONTHLY SALARY
JUNE 30, 2001

<u>MONTHLY SALARY</u>			<u>NUMBER OF MEMBERS</u>		<u>TOTAL</u>
			<u>MALES</u>	<u>FEMALES</u>	
UNDER	\$	500	31	6	37
\$	500 - \$	749	8	2	10
\$	750 - \$	999	42	22	64
\$	1,000 - \$	1,249	51	28	79
\$	1,250 - \$	1,499	186	65	251
\$	1,500 - \$	1,749	405	200	605
\$	1,750 - \$	1,999	431	189	620
\$	2,000 - \$	2,249	429	148	577
\$	2,250 - \$	2,499	287	102	389
\$	2,500 - \$	2,749	292	94	386
\$	2,750 - \$	2,999	208	81	289
\$	3,000 - \$	3,499	301	96	397
\$	3,500 - \$	3,999	153	67	220
\$	4,000 - \$	4,499	109	22	131
\$	4,500 - \$	4,999	48	18	66
\$	5,000 - \$	5,499	29	7	36
\$	5,500 - \$	5,999	23	4	27
\$	6,000 - \$	6,499	15	3	18
\$	6,500 - \$	6,999	6	2	8
\$	7,000 - \$	7,499	2	0	2
\$	7,500 - \$	7,999	2	0	2
\$	8,000 - \$	8,499	0	0	0
\$	8,500 - \$	8,999	1	0	1
\$	9,000 - \$	9,499	3	0	3
\$	9,500 - \$	9,999	1	0	1
\$	10,000	AND OVER	7	2	9
TOTAL			3,070	1,158	4,228
HIGHLY COMPENSATED EMPLOYEES (ESTIMATED)					
ANNUAL SALARY OF \$85,000 AND OVER			15	2	17

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
MEMBERS WITH SERVICE IN ANOTHER SYSTEM
JUNE 30, 2001

MEMBERS CURRENTLY ACTIVE IN KERS NONHAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - HAZARDOUS	0	344	344
CERS - NONHAZARDOUS	542	2,358	2,900
CERS - HAZARDOUS	22	73	95
STATE POLICE	0	13	13
TOTAL - ALL SYSTEMS	564	2,788	3,352

MEMBERS CURRENTLY NOT ACTIVE IN KERS NONHAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - HAZARDOUS	1,606	51	1,657
CERS - NONHAZARDOUS	2,028	209	2,237
CERS - HAZARDOUS	279	29	308
STATE POLICE	109	9	118
TOTAL - ALL SYSTEMS	4,022	298	4,320

NOTE: DOES NOT INCLUDE INDIVIDUALS IN PAY STATUS IN OTHER SYSTEMS

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
MEMBERS WITH SERVICE IN ANOTHER SYSTEM
JUNE 30, 2001

MEMBERS CURRENTLY ACTIVE IN KERS HAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	0	1,606	1,606
CERS - NONHAZARDOUS	21	216	237
CERS - HAZARDOUS	11	33	44
STATE POLICE	1	7	8
TOTAL - ALL SYSTEMS	33	1,862	1,895

MEMBERS CURRENTLY NOT ACTIVE IN KERS HAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	344	51	395
CERS - NONHAZARDOUS	55	58	113
CERS - HAZARDOUS	108	5	113
STATE POLICE	20	1	21
TOTAL - ALL SYSTEMS	527	115	642

NOTE: DOES NOT INCLUDE INDIVIDUALS IN PAY STATUS IN OTHER SYSTEMS

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
RETIRED LIVES SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	2,424	2,288,742.89	5,965	4,907,621.10	8,389	7,196,363.99
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	1,658	1,568,516.05	540	332,839.92	2,198	1,901,355.97
66-2/3% TO BENEFICIARY	683	1,056,366.56	174	204,844.31	857	1,261,210.87
50% TO BENEFICIARY	859	1,160,224.57	545	697,936.35	1,404	1,858,160.92
POP-UP OPTION	1,565	2,166,629.95	868	1,057,130.33	2,433	3,223,760.28
10 YEARS CERTAIN	0	0.00	0	0.00	0	0.00
10 YEARS CERTAIN & LIFE	1,100	876,392.79	1,473	1,218,820.42	2,573	2,095,213.21
SOCIAL SECURITY OPTION						
OPTION C	379	608,226.14	855	1,110,990.08	1,234	1,719,216.22
OPTION D	781	1,152,484.56	440	580,213.86	1,221	1,732,698.42
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	0	0.00	1	188.76	1	188.76
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	362	364,149.64	285	258,731.28	647	622,880.92
20 YEARS CERTAIN & LIFE	247	295,755.32	236	257,726.07	483	553,481.39
5 YEARS ONLY	0	0.00	0	0.00	0	0.00
TOTAL	10,058	11,537,488.47	11,382	10,627,042.48	21,440	22,164,530.95

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
RETIRED LIVES SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	149	100,814.75	101	51,163.88	250	151,978.63
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	103	67,906.28	4	3,426.95	107	71,333.23
66-2/3% TO BENEFICIARY	37	30,796.55	5	3,880.64	42	34,677.19
50% TO BENEFICIARY	49	43,550.80	5	6,367.98	54	49,918.78
POP-UP OPTION	161	131,870.23	24	16,087.43	185	147,957.66
10 YEARS CERTAIN	16	12,247.76	5	3,146.96	21	15,394.72
10 YEARS CERTAIN & LIFE	64	36,254.87	23	12,733.68	87	48,988.55
SOCIAL SECURITY OPTION						
OPTION C	27	20,191.71	15	9,027.46	42	29,219.17
OPTION D	68	67,955.51	10	4,461.19	78	72,416.70
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	8	1,841.55	10	2,127.82	18	3,969.37
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	20	13,997.01	6	4,657.73	26	18,654.74
20 YEARS CERTAIN & LIFE	22	17,368.88	1	407.10	23	17,775.98
5 YEARS ONLY	0	0.00	0	0.00	0	0.00
TOTAL	724	544,795.90	209	117,488.82	933	662,284.72

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
BENEFICIARY SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	0	0.00	0	0.00	0	0.00
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	242	131,433.16	1,669	926,331.14	1,911	1,057,764.30
66-2/3% TO BENEFICIARY	16	8,162.48	255	133,930.48	271	142,092.96
50% TO BENEFICIARY	52	22,529.97	492	176,447.17	544	198,977.14
POP-UP OPTION	35	30,918.93	150	107,724.47	185	138,643.40
10 YEARS CERTAIN	77	59,873.24	65	53,095.53	142	112,968.77
10 YEARS CERTAIN & LIFE	61	39,572.25	82	68,826.22	143	108,398.47
SOCIAL SECURITY OPTION						
OPTION C	0	0.00	0	0.00	0	0.00
OPTION D	19	15,460.80	124	139,374.22	143	154,835.02
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	17	6,871.86	17	6,871.86
DEPENDENT CHILD	0	0.00	0	0.00	0	0.00
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	26	21,505.88	96	71,426.47	122	92,932.35
20 YEARS CERTAIN & LIFE	29	25,267.64	47	40,373.54	76	65,641.18
5 YEARS ONLY	75	61,808.82	49	63,232.97	124	125,041.79
TOTAL	632	416,533.17	3,046	1,787,634.07	3,678	2,204,167.24

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
BENEFICIARY SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	0	0.00	0	0.00	0	0.00
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	5	1,601.55	50	29,931.87	55	31,533.42
66-2/3% TO BENEFICIARY	0	0.00	4	2,248.66	4	2,248.66
50% TO BENEFICIARY	0	0.00	8	2,298.69	8	2,298.69
POP-UP OPTION	0	0.00	9	3,137.99	9	3,137.99
10 YEARS CERTAIN	5	2,898.16	4	1,136.25	9	4,034.41
10 YEARS CERTAIN & LIFE	2	2,018.46	8	1,018.66	10	3,037.12
SOCIAL SECURITY OPTION						
OPTION C	0	0.00	0	0.00	0	0.00
OPTION D	1	17.11	7	6,474.01	8	6,491.12
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	2	563.16	0	0.00	2	563.16
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	1	161.73	0	0.00	1	161.73
20 YEARS CERTAIN & LIFE	0	0.00	4	908.62	4	908.62
5 YEARS ONLY	8	1,909.85	2	1,696.59	10	3,606.44
TOTAL	24	9,170.02	96	48,851.34	120	58,021.36

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED RETIREMENT SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
15-19	0	0.00	0	0.00	0	0.00
20-24	5	835.70	3	389.22	8	1,224.92
25-29	26	4,525.08	45	7,657.19	71	12,182.27
30-34	87	19,948.47	253	55,877.87	340	75,826.34
35-39	160	50,805.96	353	99,359.55	513	150,165.51
40-44	177	62,627.69	340	107,286.25	517	169,913.94
45-49	209	99,299.13	448	172,481.56	657	271,780.69
50-54	251	113,721.30	432	157,703.94	683	271,425.24
55-59	134	78,244.48	212	70,473.46	346	148,717.94
60-64	48	22,958.69	81	22,904.66	129	45,863.35
65-69	7	1,613.72	21	3,816.54	28	5,430.26
70-74	6	6,125.43	7	1,257.91	13	7,383.34
75-79	1	67.72	4	1,045.85	5	1,113.57
80-84	1	114.18	1	66.18	2	180.36
85 +	0	0.00	0	0.00	0	0.00
TOTAL	1,112	460,887.55	2,200	700,320.18	3,312	1,161,207.73

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED RETIREMENT SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
15-19	0	0.00	0	0.00	0	0.00
20-24	0	0.00	0	0.00	0	0.00
25-29	3	446.26	0	0.00	3	446.26
30-34	13	2,898.94	5	1,048.31	18	3,947.25
35-39	16	6,200.49	8	2,418.28	24	8,618.77
40-44	14	5,850.58	7	2,165.13	21	8,015.71
45-49	13	3,840.75	6	1,421.15	19	5,261.90
50-54	17	5,179.96	8	1,895.71	25	7,075.67
55-59	4	698.18	5	955.25	9	1,653.43
60-64	2	515.84	1	462.17	3	978.01
65-69	0	0.00	1	11.58	1	11.58
70-74	0	0.00	0	0.00	0	0.00
75-79	0	0.00	0	0.00	0	0.00
80-84	0	0.00	0	0.00	0	0.00
85 +	0	0.00	0	0.00	0	0.00
TOTAL	82	25,631.00	41	10,377.58	123	36,008.58

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED MEMBERSHIP SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS
15-19	1,106	201,314.07	74	17,018.53	1,180	218,332.60
20-24	388	386,810.26	386	179,714.03	774	566,524.29
25-29	645	492,130.33	1,131	1,001,727.04	1,776	1,493,857.37
30-34	761	701,314.30	1,270	1,528,377.85	2,031	2,229,692.15
35-39	638	657,758.60	1,014	1,180,250.56	1,652	1,838,009.16
40-44	545	690,588.68	942	1,048,112.09	1,487	1,738,700.77
45-49	599	741,458.05	948	1,449,656.41	1,547	2,191,114.46
50-54	606	966,230.63	756	1,450,332.75	1,362	2,416,563.38
55-59	327	612,879.66	444	934,974.16	771	1,547,853.82
60-64	200	414,290.01	249	415,437.58	449	829,727.59
65-69	115	122,378.46	94	70,100.88	209	192,479.34
70-74	61	37,746.13	47	30,866.27	108	68,612.40
75-79	31	12,888.46	21	10,166.41	52	23,054.87
80-84	10	4,612.97	10	4,532.82	20	9,145.79
85 +	7	1,090.58	4	1,095.63	11	2,186.21
TOTAL	6,039	6,043,491.19	7,390	9,322,363.01	13,429	15,365,854.20

KENTUCKY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED MEMBERSHIP SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS
15-19	97	16,650.50	0	0.00	97	16,650.50
20-24	34	22,989.56	11	7,737.06	45	30,726.62
25-29	107	73,482.01	37	37,607.40	144	111,089.41
30-34	126	119,481.11	30	30,991.38	156	150,472.49
35-39	72	57,537.19	39	64,781.17	111	122,318.36
40-44	41	42,142.92	33	57,937.93	74	100,080.85
45-49	46	33,120.63	19	26,728.11	65	59,848.74
50-54	37	49,073.26	17	23,851.09	54	72,924.35
55-59	20	14,706.93	14	22,095.37	34	36,802.30
60-64	13	15,959.49	3	5,078.32	16	21,037.81
65-69	2	1,335.55	0	0.00	2	1,335.55
70-74	1	211.92	0	0.00	1	211.92
75-79	0	0.00	0	0.00	0	0.00
80-84	0	0.00	0	0.00	0	0.00
85 +	0	0.00	0	0.00	0	0.00
TOTAL	596	446,691.07	203	276,807.83	799	723,498.90

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Effective Date

The state of Kentucky established the Kentucky Employees Retirement System in July, 1956. The plan benefits have been improved several times, most recently as of August 1, 2001.

Plan Year

A plan year is a twelve month period beginning on July 1.

Final Compensation

Final compensation is the average salary during the five highest paid fiscal years for nonhazardous positions. If the months of service credit during the highest five year period is less than forty-eight, one or more additional fiscal years shall be used. For a member whose effective retirement date is between August 1, 2001 and January 1, 2009, and whose total service credit is at least 27 years and whose age and years of service total at least 75, final compensation is based on three years rather than five years.

For hazardous positions, final compensation is the average salary during the three highest paid fiscal years.

Service

Service means the sum of prior service and current service as defined below:

- (a) Prior service is credited for regular full-time employment of at least 100 hours of work per month with a participating agency before July 1, 1956. In some instances prior service credit is granted for time spent in the military.
- (b) Current service is obtained for regular full-time employment which averages at least 100 hours of work per month with participating agencies after July 1, 1956. Current service credit may be granted for military service and educational leaves if special criteria are met.
- (c) Service is increased by unused sick leave, up to a maximum of six months, for purposes of computing eligibility and the amount of benefits.

Eligibility

Any state department, board, or agency shall participate in the System when directed to do so by the Executive Order of the Governor. Membership in the system consists of:

- (a) all persons who become employees of a department after such department first participates,

- (b) all persons who are employees on the date a department first participates and who elect within thirty days to become members and make contributions,
- (c) all persons who are employees of any credit union whose membership is limited to state government employees,
- (d) all persons who were professional staff employees of the Council on Public Higher Education or the Higher Education Assistance Authority and were making contributions to the system on the effective date of their respective Executive Order and filed a written election to continue in the System,
- (e) all persons who were professional staff employees of the Kentucky Authority for Educational Television on or after July 1, 1974,
- (f) members of the General Assembly and Constitutional officers of the General Assembly serving during the January, 1960 session or thereafter, and
- (g) officers and employees of the General Assembly and their assistants if employed by the General Assembly during the January, 1960 session and thereafter, but only after serving during six sessions of the General Assembly.

Normal Retirement Date

A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions, or attaining age 55 for hazardous positions, and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are current service for non-hazardous positions, or completion of 20 years of service credit for hazardous positions, a member may elect to retire with an unreduced benefit.

Early Retirement Date

A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits

For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 1.97% of the member's final compensation multiplied by his service will be payable. However, effective February 1, 1999, a member who was participating as of January 1, 1998 and continues to participate through January 1, 1999 shall receive a benefit based on a 2.00% formula rate. In addition, any such member whose effective date of retirement is between February 1, 1999 and January 31, 2009, and who has at least 20 years of service credit, shall receive a retirement allowance based on a 2.20% benefit formula rate. For hazardous positions, a monthly benefit equal to 2.49% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months

are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits

A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a non-hazardous position employee has 27 or more years of service credit, 15 of which are current, or a hazardous position employee has 20 or more years of service credit, an unreduced benefit is payable.

Minimum Benefit

The normal retirement benefit for members with 10 or more years of service, at least one of which is current service, shall not be less than \$512 per year.

Disability Benefits

A member with 60 months of service, 12 of which must be current service, is entitled to a retirement allowance computed in the same manner as the normal retirement benefit with service and final compensation determined as of the disability date. Service credit shall be added on to total service for the period from the last day of paid employment to the 65th birthday (55th for members in a hazardous position) up to a maximum of service credited to the last day of paid employment. Except for members with 25 or more (20 or more for hazardous) years of service on the last day of paid employment, the maximum combined service credit (total service and added service) shall not exceed 25 years (20 years for hazardous members). For non-hazardous position employees with 25 or more years of service credit, additional years of service credit will be added up to a maximum combined limit of 30, or actual service if greater. For hazardous position employees with 20 or more years of service credit, actual service will be used.

A member in a hazardous position who is disabled in the line of duty is entitled to a retirement benefit of not less than 25% of the member's final monthly rate of pay plus 10% of his final monthly rate of pay for each dependent child. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay. A partial disability benefit may be payable to hazardous employees if the disability is not total and permanent. The disability will be reduced to a rate determined by the Board.

Death Benefits

If a member dies prior to retirement, but after 60 months of service, 12 of which are current and who is a contributing member, or after 12 years of service, one of which is current and who is not a contributing member, or after 48 months service if the member is age 65 or over, a benefit will be payable to the beneficiary based on the member's age, years of service and final compensation at the date of death. The benefit will be equal to the amount payable had the employee retired and elected a joint and 100% survivorship payment form.

If a member in a hazardous position dies in the line of duty and has a spouse as beneficiary, a \$5,000 lump sum payment will be made and a benefit of 25% of the member's final monthly rate of pay will be payable until death or remarriage. If the member in a hazardous position dies in the line of duty and has a dependent as beneficiary, a lump sum payment of \$10,000 will be made. Monthly payments shall be made for each dependent child equal to 10% of the member's final monthly rate of pay, but not greater than 40% of the member's final monthly rate of pay. The beneficiary of a hazardous duty member with 5 or more years of service, one of which is current, may elect a death benefit computed in the same manner as a non-hazardous employee using 2.49% rather than 1.97%.

Upon the death of a retired member, who had a minimum of 48 months of service credit, a death benefit of \$5,000 is payable.

Optional Forms of Payment

Joint and survivor annuities which provide a reduced benefit for the life of the member, with the benefit at the same or at a further reduced rate continuing after the member's death until the death of the designated beneficiary may be elected by the member prior to retirement. Other optional forms include a life annuity with 10, 15 or 20 years of payments guaranteed and a Social Security adjustment with or without survivor rights.

Contributions

Members contribute 5% of gross compensation (8% for hazardous positions). On each June 30, interest is credited at the rate to be determined by the Board on the accumulated contributions the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Medical Insurance

Recipients of a retirement benefit may elect to participate in a voluntary hospital/medical group insurance plan for themselves as well as any beneficiaries or dependents. The cost of participation for any beneficiaries or dependents is borne by the retiree (except that dependents of hazardous position employees and legislators will have the same percentage paid by the system as the member). The retirement system will pay a portion of the cost of participation for the retiree based on years of service credit as follows:

Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

If a hazardous member is disabled in the line of duty, the retirement system will pay 100% of the cost of the member, spouse and eligible dependents. If a hazardous member is killed in the line of duty, the retirement system will pay 100% of the cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

Increase in Retirement Allowances

Effective August 1, 1996, and on July 1 of each year thereafter, a recipient of a retirement allowance shall have his retirement allowance increased by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1996 and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in their judgment the welfare of the Commonwealth so demands.

FORTY-SECOND ANNUAL ACTUARIAL VALUATION

JUNE 30, 2001

COUNTY EMPLOYEES RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

SECTION I

INTRODUCTION

The results of the forty-second annual actuarial valuation of the County Employees Retirement System are presented in this report. The actuarial valuation was made on the basis of the data provided by the System as of June 30, 2001.

The purpose of the actuarial valuation is to determine the actuarial condition of the Retirement System and the rate of employer contribution for the ensuing fiscal year as required to support the System.

The plan provisions utilized in this valuation are described in the Summary of Principal Plan Provisions in Section VI. The basis of funding is defined in KRS 61.565 and provides that the actuarial valuation method would be uniform for all benefits provided by the System. The Entry Age Normal Actuarial cost method has been used for all benefits. KRS 61.565 provides that each employer participating in the System shall contribute an amount equal to the Normal Cost contribution rate, and an amount sufficient to amortize the Unfunded Actuarial Accrued Liability over 30 years using the level-percentage-of-payroll method. This is the standard used herein to determine whether the funding of the System is adequate.

The actuarial valuation results are based upon the employee census and asset data supplied by the office of the System, and upon the actuarial assumptions as stated in Section II.

SECTION II

ACTUARIAL CONSIDERATIONS

Description of Actuarial Methods

The actuarial valuation is the means by which the contingent liabilities and contribution rates of a retirement system are evaluated and determined. It provides a guide to the System to the financing required during years of active service to accumulate the funds needed to provide members' benefits. It also makes it possible to estimate beforehand the cost of proposed changes in the System so that action can be taken in the light of the cost consequences.

The methods of valuation are prescribed by KRS 61.565. The Entry Age Normal Cost Method was used to determine costs of all benefits with the exception of the retiree medical insurance benefit. Under this method the employer's contribution to the retirement system consists of Normal Cost, a payment to fund the Unfunded Actuarial Accrued Liability, medical insurance, and administrative expenses. The Normal Cost represents the contribution (as a level percent of payroll) that completely funds benefits at retirement if made from a person's entry into employment until his retirement. The Actuarial Accrued Liability represents the sum of money and investments that would be held in the fund if the retirement system had been in effect since the date each member was first employed. The payment to fund the Unfunded Actuarial Accrued Liability is the amount necessary to amortize this liability over 30 years using the "level-percentage-of-payroll" method. Under the "level-percentage-of-payroll" method, the amortization payment is an amount which remains constant as a percentage of payroll over the 30 years. The initial 30 year period began with the 1990 valuation. In each subsequent valuation, any change in Unfunded Actuarial Accrued Liability is identified and established as a separate amortization base with a 30 year funding period beginning with that valuation. The change in Unfunded Actuarial Accrued Liability established as a separate base in each valuation will include changes attributable to experience gains and/or losses over the prior year, as well as changes attributable to benefit improvements and revisions in actuarial assumptions and funding methods.

The medical insurance contribution rate was originally determined in the 1987 valuation as the level percent of payroll necessary to fund projected medical insurance premiums over the next sixteen years (taking into account the level of reserves in the Insurance Fund). Beginning in 1988, this rate was increased each year by a percentage amount needed to reach the Entry Age Normal funding rate within a 20 year period measured from 1987. This was continued through the 1992 valuation. In the 1992 valuation, an acceleration of the scheduled increases in the medical insurance contribution rate was recommended where possible. This acceleration in these rates was coupled with a deferral of future increases until the time of the next experience study, unless there was a deterioration in the funded position of the medical premium benefit in which case the rate levels were to be reviewed to redetermine an appropriate current funding level, or unless recommended contributions are not made in the prior year, in which case the shortfall would be spread over future years through an increase in the contribution rate. This continued through the 1995 valuation. Effective with the 1996 valuation, a new medical insurance funding policy was adopted by the Board. Under this revised policy, the medical insurance contribution rate for the 1996 valuation was set equal to the 1995 rate plus any reduction in the retirement and administrative expense rates between the 1995 and 1996 valuations (but in no event to be less than the 1995 medical insurance contribution rate). Beginning with the 1997 valuation, the medical insurance contribution rate is to be increased each year by the percentage amount necessary to

raise this medical insurance rate to the full Entry Age Normal Cost Method contribution rate by the year 2016.

The Board reviewed this funding policy in conjunction with the experience study prepared following the 2000 valuation. The current policy relative to the establishment of the permanent portion of the insurance fund rate was not changed. But in years where there may be a temporary reduction in the retirement fund contribution rate, the Board may use the amount of that reduction as an additional temporary contribution to the insurance fund.

In computing the full Entry Age Normal Cost Method contribution rate, liabilities are to be developed based on actuarial assumptions in use in the current valuation (as adjusted from time to time due to experience studies) and actuarial value of assets based on the same method as employed for the retirement benefit valuation. The actuarial value of assets for the medical contribution rate valuation utilized book value prior to the 1996 valuation, and a 5-year market to book value average from 1996 through the 2000 valuation. The current asset valuation method was employed effective with the 2001 valuation.

The amount of the administrative expense was based on the budgeted amount for the twelve months following the date of the valuation as allocated between Hazardous position and Non-Hazardous position employees.

Actuarial Assumptions

Since the actuarial valuation involves estimates of benefits payable in the future, it is necessary that assumptions be made as to the interest earnings, rates of mortality, withdrawal, retirement, and disability, and the rate at which salaries will increase. In addition, an assumption must be made relative to increases in medical insurance rates in order to value the liability for the medical insurance benefit.

It is desirable that the actuarial assumptions be reviewed periodically to see whether past experience and probable future experience justifies the continued use of these actuarial assumptions. Such a study was performed subsequent to the 2000 actuarial valuation and new actuarial assumptions were adopted by the Board for use in the 2001 and subsequent actuarial valuations, until such time as another experience study is performed. This valuation reflects assumptions based on the 2000 experience study. Actuarial assumptions used for hazardous position employees are similar to actuarial assumptions adopted for the State Police Retirement System (with the exception of the rate of retirement). The actuarial assumptions as used in this valuation are described later in this section.

Actuarial Value of Assets

The actuarial value of assets is determined in the following manner for the Retirement Fund and Insurance Fund:

1. Develop expected assets by projecting valuation assets from the prior valuation using the assumed valuation interest rate from the prior valuation and actual cash flows for the 12 months ending on the current valuation date.
2. The current year investment gain/loss shall be determined as the difference between actual market value as of the current valuation date and expected assets as computed in (1), further adjusted for any amount of investment gain/loss from prior years not yet recognized as of the current valuation date.
3. The amount of investment gain/loss for the current year shall be reflected equally over the current year and the following 4 years.
4. Valuation assets will be equal to expected assets from (1) plus/minus the amount of investment gain/loss from the current and prior 4 years to be recognized in the current year.
5. The starting point for this method shall be the actuarial value of assets as computed in the 2000 valuation under the prior asset valuation method then in effect. Only investment gains/losses occurring after June 30, 2000 shall be recognized and amortized under this method.

The following table shows the derivation of valuation assets for the Retirement Fund and the Insurance Fund as of the current valuation:

	RETIREMENT FUND		INSURANCE FUND	
	Non Hazardous	Hazardous	Non Hazardous	Hazardous
June 30, 2000 Valuation Assets	5,284,033,534	1,445,542,794	319,642,694	168,659,912
Cash Flows				
> Employer Contributions	48,860,438	20,737,235	62,292,385	32,149,432
> Member Contributions	99,525,931	29,155,004		
> Retirement Benefits	170,256,139	56,519,865		
> Net Refunds	8,245,737	1,285,134		
> Insurance Premiums			27,523,966	11,511,058
> Administrative Expenses	6,174,091	512,265	244,142	108,621
> Investment Manager Fees	1,654,941	464,491	28,832	15,314
Valuation Interest Assumption	8.25%	8.25%	8.25%	8.25%
Expected Return on Valuation Assets Reflecting Actual Cash Flows *	434,367,554	118,890,588	27,793,459	14,760,663
Expected Valuation Assets	5,680,456,549	1,555,543,866	381,931,598	203,935,014
Actual Market Value of Assets	4,397,346,547	1,211,154,618	331,066,746	173,636,191
Investment Gain/(Loss)	(1,283,110,002)	(344,389,248)	(50,864,852)	(30,298,823)
Amortization Amounts From Prior Valuations				
> Valuation Year - 1				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
> Valuation Year - 2				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
> Valuation Year - 3				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
> Valuation Year - 4				
>> Initial Amount	N/A	N/A	N/A	N/A
>> Current Valuation Amount	N/A	N/A	N/A	N/A
>> Amortization	N/A	N/A	N/A	N/A
Unamortized Amount of Gain/(Loss) From Prior Valuations	0	0	0	0
Investment Gain/(Loss) to be Amortized from Current Valuation Date				
> Amount	(1,283,110,002)	(344,389,248)	(50,864,852)	(30,298,823)
> Amortization	(256,622,000)	(68,877,850)	(10,172,970)	(6,059,765)
June 30, 2001 Valuation Assets				
> Expected Assets	5,680,456,549	1,555,543,866	381,931,598	203,935,014
> Amortization Amounts	(256,622,000)	(68,877,850)	(10,172,970)	(6,059,765)
> Valuation Assets	5,423,834,549	1,486,666,016	371,758,628	197,875,249

* Cash flows are assumed equally spread throughout the year.

A. STATEMENT OF ACTUARIAL ASSUMPTIONS

- (1) Mortality:
- (a) Active & retired lives - 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year for hazardous duty employees.
 - (b) Disabled lives - Social Security Administration Disability Mortality Rates - Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security).
- (2) Disablement - Graduated rates based on 2000 experience study (no change from 1995 experience study).
- (3) Termination of employment # - Graduated select (non-hazardous only) and ultimate rates based on 2000 experience study.
- (4) Retirement # - Non-Hazardous:

<u>Age</u>	<u>Retirement Rate</u>
55-57	.04
58-59	.05
60-61	.06
62	.25
63-64	.10
65	.50
66-67	.20
68	.25
69	.40
70 and Over	1.00

At age 55-64 in lieu of the age related rate, 25% are assumed to retire as soon as eligible for unreduced benefits.

Hazardous: Assumed that 60% will retire as soon as eligible for unreduced benefits and balance will continue to age 55.

- (5) Marital status
 - (a) Percentage married - 100%.
 - (b) Age difference - Males are assumed to be 3 years older than their spouses.
- (6) Dependent children - For hazardous position employees under duty related death benefits, it is assumed that the employee is survived by 2 dependent children each age 6.
- (7) Investment return - 8.25% per year, net of investment related expenses, compounded annually.
- (8) Compensation progression #
 - 1st year: 12.00%
 - 2nd year: 10.00%
 - 3rd year: 8.00%
 - Thereafter: 6.50%, compounded annually.
- (9) Underlying Inflation Rate - 3.5% per year; reflected in investment return and compensation progression assumptions.
- (10) Retiree Medical Insurance #
 - It was assumed that future retirees would select medical coverage in the same proportion that current retirees have selected coverage. Monthly contribution rates were assumed to be as follows:

<u>Plan Type</u>	<u>Rate in Effect on Valuation Date</u>
Single	
- Region 1	\$252.46
- Region 2	293.46
- Region 3	273.52
- All Others	234.00
Family	577.00
Parent Plus	350.00
Couple	525.00
Medicare*	
- Low Option	96.41
- High Option	229.03

Region 1: Boyd, Carter, Elliott, Greenup

Region 2: Christian, Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Todd, Trigg, Union, Webster

Region 3: Harlan, Lewis, Mason, Perry, Roberston

<u>Carrier</u>	<u>Medicare Rate</u>		<u>Contracts in Force</u>	
	Low	High	Low	High
	<u>Option</u>	<u>Option</u>	<u>Option</u>	<u>Option</u>
Anthem BC/BS	101.26	231.35	2,839	17,314
Bankers Life	91.78	216.94	272	156
Option 2000	83.05	216.51	504	1,767
Humana	85.00	247.00	490	1,729
Humana				
Gold Plus	85.00	136.00	17	507

*Weighted average of current rates available from different carriers; weighting based on number of contracts in force.

In determining the target Entry Age Funding rate in valuations beginning with 1996, it was assumed that medical contribution rates would grow at the following annual levels:

<u>Years</u>	<u>Medical Increase</u>
2001 - 2002	12%
2003 - 2005	10%
2006 - 2010	9%
2011 - 2015	8%
2016 - 2020	7.5%
Thereafter	7%

The assumed rate of growth in number of retirees receiving medical insurance was based on assumed retirement and mortality patterns used throughout the valuation.

(11) Missing data

- For those active members with incomplete data, the following assumptions were made:
 - . If reported salary was zero or blank, then monthly salary was assumed to be \$887.58
 - . If reported age was blank, then assume current age equal to age 18 plus years of service reported

(12) Members with Multiple Service Records

- For active members with service in more than one system, the liability has been valued as

follows:

- . Service under all systems is aggregated for purposes of determining benefit eligibility.
- . Future service is projected only under the system in which the member is currently active.
- . The actual benefit under each system is determined based only on service (past and projected future service, if applicable) under that system.
- . The liability is determined under each system based on the actuarial assumptions used for the system in which the member is currently active. This liability is then included in the valuation of the system in which the service has been earned (or is projected to be earned).

For inactive members with service in more than one system, the benefit attributable to the service under each system is determined, and the liability for that benefit is then included in the valuation of the system in which the service was earned.

Changes in assumptions from those used in 2000 valuation.

B. SAMPLE RATES FOR NON-HAZARDOUS POSITION EMPLOYEES*

(1) Annual Rates of Mortality:

<u>Age</u>	<u>Active Mortality</u>		<u>Disabled Mortality</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
25	0.05%	0.03%	4.83%	2.63%
30	0.06%	0.03%	3.62%	2.37%
40	0.12%	0.07%	2.82%	2.09%
50	0.40%	0.16%	3.83%	2.57%
55	0.61%	0.25%	4.82%	2.95%
60	0.92%	0.42%	6.03%	3.31%

(2) Annual Rates of Decrement:

<u>Age</u>	<u>Disablement</u>	<u>Ultimate Termination</u>
25	0.033%	2.40%
30	0.039%	2.40%
40	0.105%	2.00%
50	0.423%	1.60%
55	0.794%	1.20%
60	1.395%	0.20%

(3) Select Rates of Termination:

<u>Years of Service</u>	<u>Select Termination</u>
1	35.0%
2	10.0%
3	7.0%
4	5.0%
5	4.0%

(4) Compensation Progression (after 1st 3 years):

<u>Age</u>	<u>Rate of Annual Increase</u>	<u>Compensation at Normal Retirement as Percentage Of Current Annual Compensation</u>
25	6.50%	1,241.6%
30	6.50%	906.2%
40	6.50%	482.8%
50	6.50%	257.2%
55	6.50%	187.7%
60	6.50%	137.0%

*Sample rates for hazardous position employees are included in the State Police Retirement System valuation.

SECTION III

RESULTS OF THE 2001 ACTUARIAL VALUATION

Determination of Contribution Rate

The rate of contribution by the participating Agencies required to provide 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, the employer share of the annual Normal Cost, medical insurance and the administrative costs of the System is shown in Table I. The required contribution is expressed both in dollars and as a percentage of the estimated payroll of the participating Agencies as of June 30, 2001.

The actuarial methods applied to determine the Normal Cost for the year commencing July 1, 2001 are described in Section II. These costs are classified by type of benefit. The Normal Cost contribution rate of the participating Agencies is determined by reducing the total Normal Cost by the expected employee contributions. A breakdown of actuarial liabilities and costs between Hazardous and Non-Hazardous position employees appears in Table II for the Retirement Fund and Table IV for the Insurance Fund. A breakdown of the total Unfunded Actuarial Accrued Liability into the amortization amounts by year is shown in Table III for the Retirement Fund and Table V for the Insurance Fund. Table VI has been included to show an estimate of projected payouts from the funds over the next 10 years based on current plan provisions and actuarial assumptions.

Actuarial Balance Sheet

Table VII is the actuarial balance sheet of the County Employees Retirement System as of June 30, 2001 for the Retirement Fund. Table VIII is the actuarial balance sheet for the Insurance Fund. The "actuarial balance sheet" displays the fundamental relationship between actual assets, future contributions, and future benefits. The asset side of the balance sheet is comprised of actual fund assets plus the actuarial present value of future contributions on behalf of current members. The actuarial present values of all projected benefit payments to present active and inactive members make up the balance sheet liabilities.

Accountant's Information

Table IX contains additional information needed to comply with GASB disclosure requirements relative to the Retirement Fund.

Table X contains information needed to comply under GASB Statement No. 12 relative to the Insurance Fund.

TABLE I COUNTY EMPLOYEES RETIREMENT SYSTEM RETIREMENT AND INSURANCE FUND DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 2001		
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND		
		Percent *
Total Actuarial Accrued Liability	\$ 4,900,142,654	255.15%
Assets at Actuarial Value	6,910,500,565	359.83%
Unfunded Actuarial Accrued Liability	\$ (2,010,357,911)	(104.68%)
Contribution - Payment on Unfunded Actuarial Accrued Liability	\$ (104,138,682)	(5.42%)
NORMAL COST - RETIREMENT FUND		
Retirement Benefits	\$ 180,619,180	9.40%
Disability Benefits	20,085,235	1.05%
Withdrawal Benefits (Vested and Refund of Contributions)	13,909,478	0.72%
Survivor Benefits	10,969,310	0.57%
Total Normal Cost	\$ 225,583,203	11.74%
Less: Employee Contributions	103,767,361	5.40%
Normal Cost - State	\$ 121,815,842	6.34%
TOTAL ANNUAL EMPLOYER COST - RETIREMENT AND INSURANCE FUND		
Non-Hazardous Duty Cost		
Normal Cost	\$ 93,608,939	5.86% **
Payment on Unfunded Actuarial Accrued Liability	(90,122,133)	(5.64%) **
Administrative Expense	7,042,404	0.44% **
Subtotal - Retirement Fund (Not Less Than Zero)	\$ 10,529,210	0.66% **
Group Hospital and Medical Insurance Premiums	90,746,709	5.68% **
Total Annual Cost	\$ 101,275,919	6.34% **
Hazardous Duty Cost		
Normal Cost	\$ 28,206,903	8.74% ***
Payment on Unfunded Actuarial Accrued Liability	(14,016,549)	(4.34%) ***
Administrative Expense	887,232	0.27% ***
Subtotal - Retirement Fund (Not Less Than Zero)	\$ 15,077,586	4.67% ***
Group Hospital and Medical Insurance Premiums	37,479,293	11.61% ***
Total Annual Cost	\$ 52,556,879	16.28% ***
Based on estimated annual salaries		
* Total	\$ 1,920,472,384	
** Non-Hazardous Position Employees	\$ 1,597,653,320	
*** Hazardous Position Employees	\$ 322,819,064	

TABLE II COUNTY EMPLOYEES RETIREMENT SYSTEM RETIREMENT FUND CLASSIFICATION OF ACTUARIAL LIABILITIES AND COSTS - JUNE 30, 2001			
	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL ACCRUED LIABILITY			
Active Members			
Retirement Benefits	\$ 1,808,159,673	\$ 573,685,697	\$ 2,381,845,370
Disability Benefits	127,412,953	13,821,167	141,234,120
Withdrawal Benefits (Vested and Refund of Contributions)	58,946,158	7,533,279	66,479,437
Survivor Benefits	111,326,728	13,879,321	125,206,049
Total - Actives	\$ 2,105,845,512	\$ 608,919,464	\$ 2,714,764,976
Inactive Members			
Retired Members and Beneficiaries	\$ 1,551,618,750	\$ 581,315,554	\$ 2,132,934,304
Vested Retirement	33,500,336	2,824,220	36,324,556
Vested Membership	15,317,614	801,204	16,118,818
Total - Inactives	\$ 1,600,436,700	\$ 584,940,978	\$ 2,185,377,678
Total Actuarial Accrued Liability	\$ 3,706,282,212	\$ 1,193,860,442	\$ 4,900,142,654
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	\$ 3,706,282,212	\$ 1,193,860,442	\$ 4,900,142,654
Less Actuarial Value of Assets	5,423,834,549	1,486,666,016	6,910,500,565
Unfunded Actuarial Accrued Liability	\$ (1,717,552,337)	\$ (292,805,574)	\$ (2,010,357,911)
NORMAL COST			
Retirement Benefits	\$ 134,332,071	\$ 46,287,109	\$ 180,619,180
Disability Benefits	17,889,877	2,195,358	20,085,235
Withdrawal Benefits (Vested and Refund of Contributions)	11,206,818	2,702,660	13,909,478
Survivor Benefits	9,351,952	1,617,358	10,969,310
Total Normal Cost	\$ 172,780,718	\$ 52,802,485	\$ 225,583,203
Less Employee Contributions	79,171,779	24,595,582	103,767,361
Total Normal Cost - State	\$ 93,608,939	\$ 28,206,903	\$ 121,815,842

TABLE III
COUNTY EMPLOYEES RETIREMENT SYSTEM
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND - JUNE 30, 2001

Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
Non-Hazardous Position Employees				
6/30/1990	\$ 93,672,421	\$ 116,923,615	\$ 7,984,831	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1991	61,472,822	75,941,702	4,994,990	Experience gains/losses for 7/1/1990 to 6/30/1991
6/30/1992	(125,111,651)	(152,596,619)	(9,690,496)	Experience gains/losses for 7/1/1991 to 6/30/1992; Asset valuation method change
6/30/1993	(28,358,370)	(34,073,827)	(2,093,700)	Experience gains/losses for 7/1/1992 to 6/30/1993
6/30/1994	59,026,195	69,727,865	4,153,968	Experience gains/losses for 7/1/1993 to 6/30/1994; Retiree COLA's
6/30/1995	(35,766,009)	(41,462,920)	(2,399,210)	Experience gains/losses for 7/1/1994 to 6/30/1995
6/30/1996	(188,502,047)	(214,095,120)	(12,052,913)	Experience gains/losses for 7/1/1995 to 6/30/1996; Revised actuarial assumptions; Correction of pension allocation for members in pay status with both non-hazardous and hazardous service in KERS
6/30/1997	(200,122,489)	(222,157,360)	(12,186,664)	Experience gains/losses for 7/1/1996 to 6/30/1997; 2.8% retiree COLA effective 8/1/1996
6/30/1998	(311,976,854)	(338,026,376)	(18,093,200)	Experience gains/losses for 7/1/1997 to 6/30/1998; Increase in death benefit from \$2,500 to \$5,000; 3.0% retiree COLA effective 7/1/1997
6/30/1999	(379,088,077)	(400,376,132)	(20,938,471)	Experience gains/losses for 7/1/1998 to 6/30/1999; 2.3% retiree COLA effective 7/1/1998
6/30/2000	(804,685,873)	(827,432,598)	(42,329,797)	Experience gains/losses for 7/1/1999 to 6/30/2000; 1.6% retiree COLA effective 7/1/1999
6/30/2001	250,075,433	250,075,433	12,528,529	Experience gains/losses for 7/1/2000 to 6/30/2001; 2.2% retiree COLA effective 7/1/2000; 3-year average earnings window
Total	\$ (1,609,364,499)	\$ (1,717,552,337)	\$ (90,122,133)	

TABLE III (Continued)				
COUNTY EMPLOYEES RETIREMENT SYSTEM				
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND - JUNE 30, 2001				
Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
Hazardous Position Employees				
6/30/1990	\$ 68,584,978	\$ 85,609,017	\$ 5,846,325	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1991	29,934,803	36,980,569	2,432,360	Experience gains/losses for 7/1/1990 to 6/30/1991
6/30/1992	(12,941,304)	(15,784,295)	(1,002,366)	Experience gains/losses for 7/1/1991 to 6/30/1992; Asset valuation method change
6/30/1993	(7,291,213)	(8,760,711)	(538,311)	Experience gains/losses for 7/1/1992 to 6/30/1993
6/30/1994	1,854,577	2,190,820	130,516	Experience gains/losses for 7/1/1993 to 6/30/1994; Retiree COLA's
6/30/1995	24,831,672	28,786,931	1,665,727	Experience gains/losses for 7/1/1994 to 6/30/1995
6/30/1996	(65,565,268)	(74,467,116)	(4,192,275)	Experience gains/losses for 7/1/1995 to 6/30/1996; Revised actuarial assumptions; Correction of pension allocation for members in pay status with both non-hazardous and hazardous service in KERS
6/30/1997	(62,908,989)	(69,835,705)	(3,830,907)	Experience gains/losses for 7/1/1996 to 6/30/1997; 2.8% retiree COLA effective 8/1/1996
6/30/1998	(50,329,820)	(54,532,272)	(2,918,894)	Experience gains/losses for 7/1/1997 to 6/30/1998; Revised average salary definition from 5 years to 3 years; Increase in death benefit from \$2,500 to \$5,000; 3.0% retiree COLA effective 7/1/1997
6/30/1999	(97,060,446)	(102,510,969)	(5,361,016)	Experience gains/losses for 7/1/1998 to 6/30/1999; 2.3% retiree COLA effective 7/1/1998
6/30/2000	(194,399,700)	(199,894,958)	(10,226,226)	Experience gains/losses for 7/1/1999 to 6/30/2000; 1.6% retiree COLA effective 7/1/1999
6/30/2001	79,413,115	79,413,115	3,978,518	Experience gains/losses for 7/1/2000 to 6/30/2001; 2.2% retiree COLA effective 7/1/2000
Total	\$ (285,877,595)	\$ (292,805,574)	\$ (14,016,549)	

TABLE IV COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND DETERMINATION OF ENTRY AGE CONTRIBUTION RATE - JUNE 30, 2001			
	Non-Hazardous Position Employees	Hazardous Position Employees	Total
ACTUARIAL ACCRUED LIABILITY			
Active Members	\$ 1,217,873,929	\$ 404,967,126	\$ 1,622,841,055
Inactive Members			
Retired Members	\$ 518,728,694	\$ 280,782,555	\$ 799,511,249
Beneficiaries	143,179	30,879,713	31,022,892
Vested Retirement	56,964,966	4,975,898	61,940,864
Vested Membership	0	0	0
Total - Inactives	\$ 575,836,839	\$ 316,638,166	\$ 892,475,005
Total Actuarial Accrued Liability	\$ 1,793,710,768	\$ 721,605,292	\$ 2,515,316,060
UNFUNDED ACTUARIAL ACCRUED LIABILITY			
Total Actuarial Accrued Liability	\$ 1,793,710,768	\$ 721,605,292	\$ 2,515,316,060
Less Actuarial Value of Assets	371,758,628	197,875,249	569,633,878
Unfunded Actuarial Accrued Liability	\$ 1,421,952,140	\$ 523,730,043	\$ 1,945,682,182
NORMAL COST			
Gross Normal Cost	\$ 132,598,044	\$ 48,025,531	\$ 180,623,575
Less Employee Contributions	0	0	0
Net Normal Cost - State	\$ 132,598,044	\$ 48,025,531	\$ 180,623,575
Estimated Annual Salaries	\$ 1,597,653,320	\$ 322,819,064	\$ 1,920,472,384
TOTAL ANNUAL EMPLOYER COST			
Contribution Amount			
Normal Cost	\$ 132,598,044	\$ 48,025,531	\$ 180,623,575
Payment on Unfunded Actuarial Accrued Liability	77,998,282	28,805,249	106,803,531
Total Annual Cost	\$ 210,596,326	\$ 76,830,780	\$ 287,427,106
As Percent of Payroll			
Normal Cost	8.30%	14.88%	9.41%
Payment on Unfunded Actuarial Accrued Liability	4.88%	8.92%	5.56%
Total Annual Cost	13.18%	23.80%	14.97%
INSURANCE FUND SHORTFALL			
Full Entry Age Funding Level	13.18%	23.80%	14.97%
Current Funding Allocation *	4.60%	11.18%	0.00%
Additional to Pick Up By 2016	8.58%	12.62%	14.97%
Expected Increase in Insurance Fund Rate in 2002 Valuation	0.33%	0.58%	N/A
* Without regard to any one-year temporary adjustments for actuarial gains			

TABLE V
COUNTY EMPLOYEES RETIREMENT SYSTEM
UNFUNDED ACTUARIAL ACCRUED LIABILITY - INSURANCE FUND - JUNE 30, 2001

Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
Non-Hazardous Position Employees				
6/30/1996	\$ 901,011,537	\$ 1,023,342,585	\$ 57,611,118	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1997	29,886,573	33,177,291	1,819,973	Experience gains/losses for 7/1/1996 to 6/30/1997; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1998	62,468,342	67,684,340	3,622,872	Experience gains/losses for 7/1/1997 to 6/30/1998; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1999	(21,106,379)	(22,291,628)	(1,165,785)	Experience gains/losses for 7/1/1998 to 6/30/1999; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2000	70,199,744	72,184,139	3,692,796	Experience gains/losses for 7/1/1999 to 6/30/2000; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2001	247,855,413	247,855,413	12,417,308	Experience gains/losses for 7/1/2000 to 6/30/2001; Impact of actual insurance fund contributions vs. full entry age amounts
Total	\$ 1,290,315,230	\$ 1,421,952,140	\$ 77,998,282	
Hazardous Position Employees				
6/30/1996	\$ 318,111,968	\$ 361,302,282	\$ 20,340,235	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1997	53,367,623	59,243,767	3,249,876	Experience gains/losses for 7/1/1996 to 6/30/1997; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1998	15,379,222	16,663,359	891,923	Experience gains/losses for 7/1/1997 to 6/30/1998; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1999	(13,162,362)	(13,901,507)	(727,007)	Experience gains/losses for 7/1/1998 to 6/30/1999; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2000	17,607,673	18,105,404	926,236	Experience gains/losses for 7/1/1999 to 6/30/2000; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2001	82,316,738	82,316,738	4,123,986	Experience gains/losses for 7/1/2000 to 6/30/2001; Impact of actual insurance fund contributions vs. full entry age amounts
Total	\$ 473,620,862	\$ 523,730,043	\$ 28,805,249	

**TABLE VI
COUNTY EMPLOYEES RETIREMENT SYSTEM
BENEFIT PAYMENT PROJECTIONS**

RETIREMENT FUND PAYMENT PROJECTIONS			
Plan Year	Non-Hazardous Position Employees	Hazardous Position Employees	Total
7/1/2001 to 6/30/2002	191,701,000	63,816,000	255,517,000
7/1/2002 to 6/30/2003	204,575,000	67,846,000	272,421,000
7/1/2003 to 6/30/2004	218,510,000	72,483,000	290,993,000
7/1/2004 to 6/30/2005	234,490,000	78,343,000	312,833,000
7/1/2005 to 6/30/2006	253,500,000	85,906,000	339,406,000
7/1/2006 to 6/30/2007	275,066,000	95,413,000	370,479,000
7/1/2007 to 6/30/2008	298,795,000	105,373,000	404,168,000
7/1/2008 to 6/30/2009	325,005,000	117,618,000	442,623,000
7/1/2009 to 6/30/2010	353,349,000	130,845,000	484,194,000
7/1/2010 to 6/30/2011	384,366,000	144,846,000	529,212,000
INSURANCE FUND PAYMENT PROJECTIONS			
Plan Year	Non-Hazardous Position Employees	Hazardous Position Employees	Total
7/1/2001 to 6/30/2002	36,579,000	15,593,000	52,172,000
7/1/2002 to 6/30/2003	42,564,000	17,669,000	60,233,000
7/1/2003 to 6/30/2004	49,193,000	19,991,000	69,184,000
7/1/2004 to 6/30/2005	56,555,000	22,599,000	79,154,000
7/1/2005 to 6/30/2006	65,210,000	25,882,000	91,092,000
7/1/2006 to 6/30/2007	74,785,000	29,610,000	104,395,000
7/1/2007 to 6/30/2008	85,322,000	33,579,000	118,901,000
7/1/2008 to 6/30/2009	97,516,000	38,506,000	136,022,000
7/1/2009 to 6/30/2010	111,674,000	44,274,000	155,948,000
7/1/2010 to 6/30/2011	127,851,000	50,734,000	178,585,000
<p>Projected benefit payments reflect future actual experience consistent with actuarial assumptions used in current annual valuation. Future cost-of-living adjustments of 3% per annum have been assumed in retirement benefit amounts. Insurance fund payments reflect future medical inflation rates consistent with the valuation assumption. There has not been any assumption made as to the number of future new entrants who may enter the plan. Nor has any provision been made for any change in the basic benefit structure of the plan beyond changes already legislated.</p>			

TABLE VII
COUNTY EMPLOYEES RETIREMENT SYSTEM
RETIREMENT FUND
ACTUARIAL BALANCE SHEET - JUNE 30, 2001

ACTUARIAL ASSETS		
Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		\$ 6,910,500,565
Actuarial Present Value of Future Member Contributions		1,198,151,209
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	\$ 1,314,803,154	
For Unfunded Actuarial Accrued Liability	(2,010,357,911)	
Total		\$ (695,554,757)
Total Actuarial Assets		\$ 7,413,097,017
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	\$ 2,132,934,304	
Vested Retirement	36,324,556	
Vested Membership	16,118,818	
Total - Inactive		\$ 2,185,377,678
Actuarial Present Value of Future Benefits		
Active Members:		
Retirement Benefits	\$ 4,391,167,713	
Disability Benefits	356,409,233	
Withdrawal Benefits (Vested and Refund of Contributions)	234,476,889	
Survivor Benefits	245,665,504	
Total - Active		\$ 5,227,719,339
Refunds and Expenses Payable		\$ 0
Total Actuarial Liabilities		\$ 7,413,097,017
Notes		
* Values as of June 30, 2001		
Market value of assets:	Non-Hazardous	\$ 4,397,346,547
	Hazardous	\$ 1,211,154,618
	Total	\$ 5,608,501,165
Actuarial value of assets:		\$ 6,910,500,565
Member's Contribution Account:		\$ 855,815,124
** Present value of accrued benefit deferred to normal retirement date.		

TABLE VIII
COUNTY EMPLOYEES RETIREMENT SYSTEM
INSURANCE FUND
ACTUARIAL BALANCE SHEET - JUNE 30, 2001

ACTUARIAL ASSETS		
Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		\$ 569,633,878
Actuarial Present Value of Future Member Contributions (Note: All Future Member Contributions Credited Against Retirement Fund)		0
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	\$ 2,128,671,358	
For Unfunded Actuarial Accrued Liability	1,945,682,182	
Total		\$ 4,074,353,540
Total Actuarial Assets		\$ 4,643,987,418
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	\$ 830,534,141	
Vested Retirement	61,940,864	
Vested Membership	0	
Total - Inactive		\$ 892,475,005
Actuarial Present Value of Future Benefits		
Active Members:		\$ 3,751,512,413
Refunds and Expenses Payable		\$ 0
Total Actuarial Liabilities		\$ 4,643,987,418
Notes		
* Values as of June 30, 2001		
Market value of assets:	Non-Hazardous	\$ 331,066,746
	Hazardous	\$ 173,636,191
	Total	\$ 504,702,937
Actuarial value of assets:		\$ 569,633,878

TABLE IX COUNTY EMPLOYEES RETIREMENT SYSTEM ACCOUNTANT'S INFORMATION - RETIREMENT FUND - JUNE 30, 2001 GASB DISCLOSURE INFORMATION			
	Non-Hazardous Position Employees	Hazardous Position Employees	Total
NUMBER OF MEMBERS			
Inactive Members			
Retired Members	21,706	3,004	24,710
Beneficiaries	2,709	217	2,926
Vested Retirements	4,080	148	4,228
Vested Membership	24,276	462	24,738
Total Inactive Members	52,771	3,831	56,602
Active Members			
Vested Members	44,965	4,603	49,568
Nonvested Members	33,808	3,983	37,791
Total Active Members	78,773	8,586	87,359
Total Members	131,544	12,417	143,961

TABLE X
COUNTY EMPLOYEES RETIREMENT SYSTEM
ACCOUNTANT'S INFORMATION - INSURANCE FUND - JUNE 30, 2001
INFORMATION REQUIRED UNDER GASB STATEMENT NO. 12

		Non-Hazardous Position Employees	Hazardous Position Employees	Total
NUMBER OF MEMBERS				
Contracts in Force - Retirees and Dependents				
(1) Single;	- 100% Paid	2,528	782	3,310
Pre-Medicare	- 75% Paid	468	38	506
	- 50% Paid	444	35	479
	- 25% Paid	249	14	263
	- 0% Paid	526	0	526
(2) Family;	- 100% Paid	154	499	653
Pre-Medicare	- 75% Paid	9	14	23
	- 50% Paid	11	10	21
	- 25% Paid	8	5	13
	- 0% Paid	3	0	3
(3) Parent +;	- 100% Paid	138	177	315
Pre-Medicare	- 75% Paid	8	16	24
	- 50% Paid	2	7	9
	- 25% Paid	6	2	8
	- 0% Paid	50	0	50
(4) Couple +;	- 100% Paid	463	717	1,180
Pre-Medicare	- 75% Paid	54	11	65
	- 50% Paid	59	10	69
	- 25% Paid	27	1	28
	- 0% Paid	3	0	3
(5) Medicare Regular	- 100% Paid	945	19	964
	- 75% Paid	0	0	0
	- 50% Paid	0	0	0
	- 25% Paid	717	13	730
	- 0% Paid	550	0	550
(6) Medicare High	- 100% Paid	3,382	559	3,941
Option	- 75% Paid	1,626	65	1,691
	- 50% Paid	1,736	46	1,782
	- 25% Paid	967	21	988
	- 0% Paid	1,263	3	1,266
Vested Retirements		4,080	148	4,228
Vested Membership		24,276	462	24,738
Active Members		78,773	8,586	87,359

UNFUNDED MEDICAL BENEFIT OBLIGATION

Medical Benefit Obligation			
Retirees, Beneficiaries and Vested Terminated Members	\$ 575,836,839	\$ 316,638,166	\$ 892,475,005
Active Members	1,217,873,929	404,967,126	1,622,841,055
Total Medical Benefit Obligation	\$ 1,793,710,768	\$ 721,605,292	\$ 2,515,316,060
Net Assets at Actuarial Value	\$ 371,758,628	\$ 197,875,249	\$ 569,633,878
Unfunded Medical Benefit Obligation	\$ 1,421,952,140	\$ 523,730,043	\$ 1,945,682,182

NOTE: Medical Benefit Obligation based on Entry Age Normal Actuarial Cost Method

SECTION IV

COMMENTS AND CERTIFICATION

Comments

For the Retirement Fund, the total Actuarial Accrued Liability has increased from \$4,453,154,831 on June 30, 2000 to \$4,900,142,654 on June 30, 2001. The Unfunded Actuarial Accrued Liability has increased from \$(2,276,421,497) to \$(2,010,357,911). Total actuarial value of assets as of June 30, 2001 was equal to \$6,910,500,565. The Unfunded Actuarial Accrued Liability increased from (121.95%) to (104.68%) as a percentage of annual payroll and increased from (51.1%) to (41.0%) as a percentage of the Actuarial Accrued Liability in the year ended June 30, 2001.

For the Insurance Fund, the total Actuarial Accrued Liability has increased from \$2,066,652,957 on June 30, 2000 to \$2,515,316,060 on June 30, 2001. The Unfunded Actuarial Accrued Liability has increased from \$1,578,352,351 to \$1,945,682,182. Total actuarial value of assets as of June 30, 2001 was equal to \$569,633,878. The Unfunded Actuarial Accrued Liability increased from 76.4% to 77.4% as a percentage of the Actuarial Accrued Liability in the year ended June 30, 2001.

The change in contribution rate between the 2000 and 2001 valuations is a function of actual plan experience since the last valuation. A formal gain and loss analysis would identify the portion of the contribution rate change attributable to each element of plan experience and benefit change. However, undertaking such an analysis would be extremely time consuming and expensive. In lieu of the formal analysis, we have estimated the impact of the various components of gain and loss based on changes in statistical averages of each group. The following table shows the results of this computation:

	Non-Hazardous Position Employees	Hazardous Position Employees
June 30, 2000 Contribution Rate	6.34%	16.28%
Change in Payment Percentage Due to Covered Payroll Experience	(0.23%)	0.32%
Investment Return Experience		
> Prior to Asset Valuation Method Change	0.04%	0.15%
> Impact of Asset Valuation Method Change	0.76%	0.92%
Salary Increase Experience	(0.66%)	0.02%
Decrement Experience*	0.47%	(0.07%)
Change in Insurance Fund Rate		
> One-Year Temporary Funding Rate	(0.77%)	(2.16%)
> Increase in Long Term Funding Rate	0.31%	0.55%
Change in Administrative Expense Rate	(0.11%)	(0.17%)
Retiree COLA Effective 7/1/2000	0.10%	0.19%
Legislated Changes		
> 3 Year Average Window for Nonhazardous	0.09%	0.00%
Change in Actuarial Assumptions	0.00%	0.25%
Reduction in Amount Available from Prior Year Retirement Fund Rate to Offset Current Year Increases	N/A	N/A
June 30, 2001 Contribution Rate	6.34%	16.28%
* Includes mortality, disability, termination of employment and retirement experience.		

The annual contribution rate required by the participating Agencies to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Non-Hazardous position employees is 0.66%. An additional 5.68% is required to fund medical insurance for retirees, bringing the required contribution up to 6.34%. This is the same as the current 6.34% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 2002 should remain at the 6.34% level, and we so recommend.

The annual contribution rate required by the participating Agencies to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses for Hazardous position employees is 4.67%. An additional 11.61% is required to fund medical insurance for retirees, bringing the required contribution up to 16.28%. This is the same as the current 16.28% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 2002 should be remain at the 16.28% level, and we so recommend.

The recommended contribution rates are based on current statutory benefits. The budgeted contribution rates will again be reviewed in the June 30, 2002 valuation.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to retirement related benefits at selected intervals since the inception of the System.

COUNTY EMPLOYEES RETIREMENT SYSTEM - RETIREMENT FUND					
July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value of Assets	Increase in Assets
1960	\$ 5,602,131	\$ 4,737,680	84.6%	\$ 864,451	\$ 864,451
1965	12,510,487	6,897,273	55.1%	5,613,214	1,255,742
1971	40,305,948	16,885,927	41.9%	23,420,022*	4,850,170
1975	85,322,085	24,467,454	28.7%	60,854,631*	11,704,780
1976	128,824,236	50,089,614	38.9%	78,734,622*	17,879,991
1977	152,900,347	52,474,756	34.3%	100,425,591*	21,690,969
1978	175,194,867	50,394,913	28.8%	124,799,954*	24,374,363
1979	213,834,377	60,742,472	28.4%	153,091,905*	28,291,951
1980	266,018,621	75,787,680	28.5%	190,230,941*	37,139,036
1981	260,872,162	27,101,917	10.4%	233,770,245	43,539,304
1982	306,087,531	20,552,642	6.7%	285,534,889	51,764,644
1983	340,705,763	(2,450,006)	(0.8%)	343,155,769	57,620,880
1984	421,336,269	15,148,838	3.6%	406,187,431	63,031,662
1985	463,618,532	(14,424,689)	(3.1%)	478,043,221	71,855,790
1986	535,948,094	(67,867,706)	(12.7%)	603,815,800	125,772,579
1987	678,442,760	(49,287,967)	(7.3%)	727,730,727	123,914,927
1988	829,346,323	(10,232,573)	(1.2%)	839,578,896	111,848,169
1989	1,113,868,548	35,815,913	3.2%	1,078,052,635	238,473,739
1990	1,432,323,666	162,257,399	11.3%	1,270,066,267	192,013,632
1991	1,654,338,706	258,111,701	15.6%	1,396,227,005	126,160,738
1992**	1,861,978,403	126,939,495	6.8%	1,735,038,908	338,811,903
1993	2,079,930,047	94,249,338	4.5%	1,985,680,709	250,641,801
1994	2,330,344,241	156,989,469	6.7%	2,173,354,772	187,674,063
1995	2,603,575,921	149,447,861	5.7%	2,454,128,060	280,773,288
1996	2,778,316,473	(101,712,065)	(3.7%)	2,880,028,538	425,900,478
1997	3,144,928,093	(369,096,965)	(11.7%)	3,514,025,868	633,997,330
1998	3,529,912,902	(743,349,593)	(21.1%)	4,273,262,495	759,236,627
1999	3,955,132,659	(1,241,746,262)	(31.4%)	5,196,878,921	923,616,426
2000	4,453,154,831	(2,276,421,497)	(51.1%)	6,729,576,328	1,532,697,407
2001***	4,900,142,654	(2,010,357,911)	(41.0%)	6,910,500,565	180,924,237
*Includes capitalized appreciation of investments.					
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.					
***Change in asset valuation method effective in this valuation to 5-year smoothing of investment gains/(losses).					

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to medical premium benefits since 1990.

COUNTY EMPLOYEES RETIREMENT SYSTEM - INSURANCE FUND					
July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value of Assets	Increase in Assets
1990	\$ 700,151,838	\$ 670,720,901	95.8%	\$ 29,430,397	\$ N/A
1991	823,012,809	780,592,065	94.8%	42,420,744	12,989,807
1992	1,041,905,457	984,949,556	94.5%	56,955,901	14,535,157
1993	1,244,258,042	1,170,004,170	94.0%	74,253,872	17,297,971
1994	1,551,138,800	1,451,623,905	93.6%	99,514,895	25,261,023
1995	1,679,893,225	1,554,439,285	92.5%	125,453,940	25,939,045
1996**	1,386,659,746	1,219,123,505	87.9%	167,536,241	42,082,301
1997	1,541,360,457	1,336,839,680	86.7%	204,520,777	36,984,536
1998	1,706,626,110	1,451,039,735	85.0%	255,586,375	51,065,598
1999	1,801,154,401	1,454,627,009	80.8%	346,527,392	90,941,017
2000	2,066,652,957	1,578,352,351	76.4%	488,300,606	141,773,214
2001***	2,515,316,060	1,954,682,182	77.4%	569,633,878	81,333,272
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.					
***Change in asset valuation method effective in this valuation to 5-year smoothing of investment gains/(losses).					

Certification

On the basis of the actuarial assumptions given and the data furnished by the General Manager of the Counties Employees Retirement System, it is certified that the actuarial valuation has been made by the use of accepted actuarial principles and based on continuation of current funding policies adopted by the Board, that adequate provision is being made for the funding of future benefits.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Stephen A. Gagel, F.S.A

Date

Edward W. Maynard, F.S.A.

Date

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SECTION V
STATISTICAL DATA
AS OF
JUNE 30, 2001

COUNTY EMPLOYEE S RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

EARNINGS BY AGE GROUPS

AGE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0-19	1,866	27,288,499	14,624	102	1,238,508	12,142	1,968	28,527,007	14,495
20-24	3,556	58,604,719	16,481	1,241	17,837,510	14,373	4,797	76,442,229	15,935
25-29	1,985	43,041,614	21,683	2,562	42,206,188	16,474	4,547	85,247,802	18,748
30-34	2,551	64,203,714	25,168	4,372	70,177,649	16,052	6,923	134,381,362	19,411
35-39	3,281	87,788,161	26,757	6,764	107,387,677	15,876	10,045	195,175,837	19,430
40-44	4,016	114,847,326	28,597	8,507	144,882,140	17,031	12,523	259,729,466	20,740
45-49	4,055	120,508,734	29,719	8,492	154,008,749	18,136	12,547	274,517,482	21,879
50-54	3,734	111,879,383	29,962	7,234	135,350,770	18,710	10,968	247,230,152	22,541
55-59	2,623	72,154,065	27,508	4,960	90,918,846	18,330	7,583	163,072,911	21,505
60-64	1,784	44,966,786	25,206	2,681	46,970,534	17,520	4,465	91,937,320	20,591
65-69	734	14,745,264	20,089	865	13,187,100	15,245	1,599	27,932,364	17,469
70-74	308	5,632,963	18,289	280	4,090,188	14,608	588	9,723,151	16,536
75+	114	2,005,992	17,596	106	1,730,244	16,323	220	3,736,236	16,983
TOTAL	30,607	767,667,218	25,081	48,166	829,986,101	17,232	78,773	1,597,653,320	20,282

EARNINGS BY SERVICE GROUPS

SERVICE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0	2,378	42,464,564	17,857	2,017	30,641,688	15,192	4,395	73,106,252	16,634
1	4,562	82,953,610	18,184	6,248	80,749,006	12,924	10,810	163,702,616	15,144
2	3,531	71,141,865	20,148	5,284	74,704,876	14,138	8,815	145,846,741	16,545
3	2,862	63,226,010	22,092	4,302	63,358,737	14,728	7,164	126,584,747	17,670
4	1,954	44,705,712	22,879	3,255	49,674,408	15,261	5,209	94,380,120	18,119
0-4	15,287	304,491,761	19,918	21,106	299,128,715	14,173	36,393	603,620,475	16,586
5-9	6,159	160,403,627	26,044	12,713	210,660,322	16,570	18,872	371,063,949	19,662
10-14	4,272	127,975,905	29,957	7,641	150,810,606	19,737	11,913	278,786,511	23,402
15-19	2,437	78,982,387	32,410	3,527	80,574,283	22,845	5,964	159,556,670	26,753
20-24	1,540	55,128,799	35,798	2,166	54,589,939	25,203	3,706	109,718,738	29,606
25-29	714	30,676,284	42,964	792	25,434,060	32,114	1,506	56,110,344	37,258
30-34	154	7,762,632	50,407	175	6,524,856	37,285	329	14,287,488	43,427
35-39	38	1,756,092	46,213	30	1,319,928	43,998	68	3,076,020	45,236
40+	6	489,732	81,622	16	943,392	58,962	22	1,433,124	65,142
TOTAL	30,607	767,667,218	25,081	48,166	829,986,101	17,232	78,773	1,597,653,320	20,282

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

EARNINGS BY AGE GROUPS

AGE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0-19	126	3,055,596	24,251	3	53,652	17,884	129	3,109,248	24,103
20-24	410	11,564,976	28,207	29	684,660	23,609	439	12,249,636	27,903
25-29	1,229	38,964,324	31,704	135	4,089,444	30,292	1,364	43,053,768	31,564
30-34	1,614	58,353,991	36,155	194	6,419,964	33,093	1,808	64,773,955	35,826
35-39	1,495	59,492,510	39,794	175	6,066,444	34,665	1,670	65,558,954	39,257
40-44	1,106	45,638,995	41,265	144	5,532,854	38,423	1,250	51,171,849	40,937
45-49	848	38,273,220	45,134	111	3,989,623	35,943	959	42,262,843	44,070
50-54	494	22,540,891	45,629	72	2,723,628	37,828	566	25,264,519	44,637
55-59	230	9,721,860	42,269	41	1,230,924	30,023	271	10,952,784	40,416
60-64	86	3,119,148	36,269	10	294,804	29,480	96	3,413,952	35,562
65-69	15	442,428	29,495	5	106,728	21,346	20	549,156	27,458
70-74	7	260,832	37,262	1	16,416	16,416	8	277,248	34,656
75+	6	181,152	30,192	0	0	0	6	181,152	30,192
TOTAL	7,666	291,609,923	38,039	920	31,209,141	33,923	8,586	322,819,064	37,598

EARNINGS BY SERVICE GROUPS

SERVICE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0	423	10,038,504	23,732	75	1,604,990	21,400	498	11,643,494	23,381
1	973	27,962,438	28,738	158	4,434,060	28,064	1,131	32,396,498	28,644
2	674	21,174,974	31,417	91	2,703,972	29,714	765	23,878,946	31,214
3	705	23,380,956	33,164	112	3,460,428	30,897	817	26,841,384	32,854
4	459	16,155,912	35,198	55	1,872,480	34,045	514	18,028,392	35,075
0-4	3,234	98,712,784	30,523	491	14,075,930	28,668	3,725	112,788,714	30,279
5-9	1,853	71,309,556	38,483	242	8,508,091	35,157	2,095	79,817,647	38,099
10-14	1,398	61,240,332	43,806	108	4,508,748	41,748	1,506	65,749,080	43,658
15-19	587	27,485,815	46,824	45	2,191,068	48,690	632	29,676,883	46,957
20-24	340	17,924,256	52,718	30	1,688,868	56,296	370	19,613,124	53,008
25-29	188	10,998,180	58,501	4	236,436	59,109	192	11,234,616	58,514
30-34	52	3,097,716	59,571	0	0	0	52	3,097,716	59,571
35-39	12	723,396	60,283	0	0	0	12	723,396	60,283
40+	2	117,888	58,944	0	0	0	2	117,888	58,944
TOTAL	7,666	291,609,923	38,039	920	31,209,141	33,923	8,586	322,819,064	37,598

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

SERVICE GROUPS BY AGE GROUPS

MALE		SERVICE								
AGE										
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	1,866									1,866
20-24	3,262	294								3,556
25-29	1,452	513	20							1,985
30-34	1,550	750	241	10						2,551
35-39	1,514	781	691	278	17					3,281
40-44	1,526	887	706	509	348	40				4,016
45-49	1,298	907	703	490	404	234	19			4,055
50-54	1,123	793	751	437	336	221	66	7		3,734
55-59	845	582	491	314	207	121	43	17	3	2,623
60-64	492	377	386	279	147	79	16	7	1	1,784
65-69	247	184	160	71	50	12	7	3		734
70-74	93	68	89	29	19	4	2	2	2	308
75+	19	23	34	20	12	3	1	2		114
TOTAL	15,287	6,159	4,272	2,437	1,540	714	154	38	6	30,607

FEMALE		SERVICE								
AGE										
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	102									102
20-24	1,202	39								1,241
25-29	2,157	389	16							2,562
30-34	3,145	948	256	23						4,372
35-39	4,128	1,772	626	226	12					6,764
40-44	3,871	2,793	1,138	393	278	34				8,507
45-49	2,752	2,793	1,763	615	366	181	22			8,492
50-54	1,867	1,926	1,806	893	465	205	65	7		7,234
55-59	1,111	1,126	1,131	763	563	202	43	16	5	4,960
60-64	522	636	596	401	348	138	30	6	4	2,681
65-69	162	215	214	144	87	26	11	1	5	865
70-74	56	61	77	48	31	4	2		1	280
75+	31	15	18	21	16	2	2		1	106
TOTAL	21,106	12,713	7,641	3,527	2,166	792	175	30	16	48,166

TOTAL		SERVICE									
AGE	GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL	
0-19	1,968									1,968	
20-24	4,464	333								4,797	
25-29	3,609	902	36							4,547	
30-34	4,695	1,698	497	33						6,923	
35-39	5,642	2,553	1,317	504	29					10,045	
40-44	5,397	3,680	1,844	902	626	74				12,523	
45-49	4,050	3,700	2,466	1,105	770	415	41			12,547	
50-54	2,990	2,719	2,557	1,330	801	426	131	14		10,968	
55-59	1,956	1,708	1,622	1,077	770	323	86	33	8	7,583	
60-64	1,014	1,013	982	680	495	217	46	13	5	4,465	
65-69	409	399	374	215	137	38	18	4	5	1,599	
70-74	149	129	166	77	50	8	4	2	3	588	
75+	50	38	52	41	28	5	3	2	1	220	
TOTAL	36,393	18,872	11,913	5,964	3,706	1,506	329	68	22	78,773	

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

SERVICE GROUPS BY AGE GROUPS

MALE		SERVICE								
AGE										
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	126									126
20-24	402	8								410
25-29	975	252	2							1,229
30-34	775	634	204	1						1,614
35-39	373	443	539	136	4					1,495
40-44	221	204	340	261	79	1				1,106
45-49	141	162	166	119	161	91	8			848
50-54	102	74	93	44	73	80	27	1		494
55-59	79	43	30	20	19	16	15	8		230
60-64	30	26	16	5	3		2	3	1	86
65-69	6	5	4							15
70-74	1		4	1					1	7
75+	3	2			1					6
TOTAL	3,234	1,853	1,398	587	340	188	52	12	2	7,666

FEMALE		SERVICE								
AGE	GROUP									
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	3									3
20-24	29									29
25-29	119	16								135
30-34	106	75	12	1						194
35-39	73	51	41	10						175
40-44	55	31	28	23	7					144
45-49	51	29	12	6	12	1				111
50-54	29	20	7	4	9	3				72
55-59	20	13	5	1	2					41
60-64	4	3	3							10
65-69	2	3								5
70-74		1								1
75+										0
TOTAL	491	242	108	45	30	4	0	0	0	920

<u>TOTAL</u>		<u>SERVICE</u>									
<u>AGE</u>											
GROUP	GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	129										129
20-24	431		8								439
25-29	1,094		268	2							1,364
30-34	881		709	216	2						1,808
35-39	446		494	580	146	4					1,670
40-44	276		235	368	284	86	1				1,250
45-49	192		191	178	125	173	92	8			959
50-54	131		94	100	48	82	83	27	1		566
55-59	99		56	35	21	21	16	15	8		271
60-64	34		29	19	5	3		2	3	1	96
65-69	8		8	4							20
70-74	1		1	4	1					1	8
75+	3		2			1					6
TOTAL	3,725	2,095	1,506	632	370	192	52	12	2		8,586

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

AVERAGE EARNINGS FOR SERVICE GROUPS BY AGE GROUPS

AGE	SERVICE									
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	1,968									1,968
	14,495									14,495
20-24	4,464	333								4,797
	15,673	19,448								15,935
25-29	3,609	902	36							4,547
	17,835	22,175	24,465							18,748
30-34	4,695	1,698	497	33						6,923
	17,014	23,386	27,815	29,313						19,411
35-39	5,642	2,553	1,317	504	29					10,045
	15,724	20,454	28,663	30,917	31,507					19,430
40-44	5,397	3,680	1,844	902	626	74				12,523
	16,373	19,154	25,556	32,411	34,368	40,567				20,740
45-49	4,050	3,700	2,466	1,105	770	415	41			12,547
	17,315	18,893	23,362	29,087	34,531	39,108	46,754			21,879
50-54	2,990	2,719	2,557	1,330	801	426	131	14		10,968
	18,408	19,652	21,967	25,876	30,669	39,854	45,987	43,168		22,541
55-59	1,956	1,708	1,622	1,077	770	323	86	33	8	7,583
	17,107	19,153	21,396	23,649	25,419	35,281	42,006	51,930	53,712	21,505
60-64	1,014	1,013	982	680	495	217	46	13	5	4,465
	16,073	17,729	20,869	22,762	24,250	32,014	39,787	38,179	86,131	20,591
65-69	409	399	374	215	137	38	18	4	5	1,599
	14,592	14,910	17,701	18,999	22,821	30,033	35,783	23,628	60,718	17,469
70-74	149	129	166	77	50	8	4	2	3	588
	15,273	12,731	17,454	17,835	17,216	32,417	39,261	35,418	62,220	16,536
75+	50	38	52	41	28	5	3	2	1	220
	12,654	14,928	13,726	19,785	20,451	31,495	34,140	48,144	82,524	16,983
TOTAL	36,393	18,872	11,913	5,964	3,706	1,506	329	68	22	78,773
	16,586	19,662	23,402	26,753	29,606	37,258	43,427	45,236	65,142	20,282
TOTAL EARNINGS		1,597,653,320								
AVERAGE SERVICE		7.29								
AVERAGE AGE		43.39								

Note: Earnings shown in this matrix have not been limited by 401(a)(17).

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
JUNE 30, 2001

AVERAGE EARNINGS FOR SERVICE GROUPS BY AGE GROUPS

AGE	SERVICE									
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	129									129
	24,103									24,103
20-24	431	8								439
	27,834	31,629								27,903
25-29	1,094	268	2							1,364
	30,252	36,886	36,498							31,564
30-34	881	709	216	2						1,808
	30,956	39,385	43,909	46,884						35,826
35-39	446	494	580	146	4					1,670
	30,684	38,503	44,462	47,391	36,639					39,257
40-44	276	235	368	284	86	1				1,250
	31,056	36,797	43,783	47,218	51,070	38,796				40,937
45-49	192	191	178	125	173	92	8			959
	32,185	37,269	42,047	48,328	55,861	57,249	63,596			44,070
50-54	131	94	100	48	82	83	27	1		566
	33,788	39,118	41,990	42,277	52,481	60,150	58,154	66,852		44,637
55-59	99	56	35	21	21	16	15	8		271
	31,007	36,689	45,539	43,244	45,925	58,529	61,444	62,997		40,416
60-64	34	29	19	5	3		2	3	1	96
	31,118	34,352	38,764	39,610	33,608		48,570	50,856	74,628	35,562
65-69	8	8	4							20
	26,895	21,312	40,875							27,458
70-74	1	1	4	1					1	8
	25,776	16,416	28,521	77,712					43,260	34,656
75+	3	2			1					6
	28,156	27,342			42,000					30,192
TOTAL	3,725	2,095	1,506	632	370	192	52	12	2	8,586
	30,279	38,099	43,658	46,957	53,008	58,514	59,571	60,283	58,944	37,598
TOTAL EARNINGS		322,819,064				Note: Earnings shown in this				
AVERAGE SERVICE		7.62				matrix				
						have not been limited by				
						401(a)(17).				
AVERAGE AGE		37.17								

Note: Earnings shown in this matrix have not been limited by 401(a)(17).

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
TABULATION BY MONTHLY SALARY
JUNE 30, 2001

<u>MONTHLY SALARY</u>			<u>NUMBER OF MEMBERS</u>		
			<u>MALES</u>	<u>FEMALES</u>	<u>TOTAL</u>
UNDER	\$	500	816	1,292	2,108
\$	500 - \$	749	1,778	5,159	6,937
\$	750 - \$	999	2,824	11,740	14,564
\$	1,000 - \$	1,249	2,718	7,509	10,227
\$	1,250 - \$	1,499	3,036	5,451	8,487
\$	1,500 - \$	1,749	3,207	4,354	7,561
\$	1,750 - \$	1,999	2,952	3,327	6,279
\$	2,000 - \$	2,249	2,551	2,633	5,184
\$	2,250 - \$	2,499	2,056	1,983	4,039
\$	2,500 - \$	2,749	1,780	1,405	3,185
\$	2,750 - \$	2,999	1,358	986	2,344
\$	3,000 - \$	3,499	2,011	1,098	3,109
\$	3,500 - \$	3,999	1,188	483	1,671
\$	4,000 - \$	4,499	725	265	990
\$	4,500 - \$	4,999	485	171	656
\$	5,000 - \$	5,499	425	135	560
\$	5,500 - \$	5,999	235	60	295
\$	6,000 - \$	6,499	146	43	189
\$	6,500 - \$	6,999	109	23	132
\$	7,000 - \$	7,499	46	14	60
\$	7,500 - \$	7,999	43	5	48
\$	8,000 - \$	8,499	30	5	35
\$	8,500 - \$	8,999	22	4	26
\$	9,000 - \$	9,499	17	8	25
\$	9,500 - \$	9,999	13	2	15
\$	10,000	AND OVER	36	11	47
TOTAL			30,607	48,166	78,773
HIGHLY COMPENSATED EMPLOYEES (ESTIMATED)					
ANNUAL SALARY OF \$80,000 AND OVER			195	45	240

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
TABULATION BY MONTHLY SALARY
JUNE 30, 2001

MONTHLY SALARY	NUMBER OF MEMBERS		
	MALES	FEMALES	TOTAL
UNDER \$ 500	41	7	48
\$ 500 - \$ 749	15	3	18
\$ 750 - \$ 999	32	7	39
\$ 1,000 - \$ 1,249	44	14	58
\$ 1,250 - \$ 1,499	99	19	118
\$ 1,500 - \$ 1,749	195	32	227
\$ 1,750 - \$ 1,999	334	90	424
\$ 2,000 - \$ 2,249	583	123	706
\$ 2,250 - \$ 2,499	793	97	890
\$ 2,500 - \$ 2,749	830	90	920
\$ 2,750 - \$ 2,999	737	80	817
\$ 3,000 - \$ 3,499	1,314	141	1,455
\$ 3,500 - \$ 3,999	1,162	112	1,274
\$ 4,000 - \$ 4,499	720	56	776
\$ 4,500 - \$ 4,999	376	25	401
\$ 5,000 - \$ 5,499	167	11	178
\$ 5,500 - \$ 5,999	100	4	104
\$ 6,000 - \$ 6,499	67	3	70
\$ 6,500 - \$ 6,999	33	4	37
\$ 7,000 - \$ 7,499	8	0	8
\$ 7,500 - \$ 7,999	7	1	8
\$ 8,000 - \$ 8,499	6	0	6
\$ 8,500 - \$ 8,999	1	1	2
\$ 9,000 - \$ 9,499	1	0	1
\$ 9,500 - \$ 9,999	0	0	0
\$ 10,000 AND OVER	1	0	1
TOTAL	7,666	920	8,586
HIGHLY COMPENSATED EMPLOYEES (ESTIMATED)			
ANNUAL SALARY OF \$80,000 AND OVER	22	2	24

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
MEMBERS WITH SERVICE IN ANOTHER SYSTEM
JUNE 30, 2001

MEMBERS CURRENTLY ACTIVE IN CERS NONHAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	542	2,028	2,570
KERS - HAZARDOUS	21	55	76
CERS - HAZARDOUS	0	264	264
STATE POLICE	6	18	24
TOTAL - ALL SYSTEMS	569	2,365	2,934

MEMBERS CURRENTLY NOT ACTIVE IN CERS NONHAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	2,358	209	2,567
KERS - HAZARDOUS	216	58	274
CERS - HAZARDOUS	2,585	54	2,639
STATE POLICE	93	11	104
TOTAL - ALL SYSTEMS	5,252	332	5,584

NOTE: DOES NOT INCLUDE INDIVIDUALS IN PAY STATUS IN OTHER SYSTEMS

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
MEMBERS WITH SERVICE IN ANOTHER SYSTEM
JUNE 30, 2001

MEMBERS CURRENTLY ACTIVE IN CERS HAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	22	279	301
KERS - HAZARDOUS	11	108	119
CERS - NONHAZARDOUS	0	2,585	2,585
STATE POLICE	3	44	47
TOTAL - ALL SYSTEMS	36	3,016	3,052

MEMBERS CURRENTLY NOT ACTIVE IN CERS HAZARDOUS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	73	29	102
KERS - HAZARDOUS	33	5	38
CERS - NONHAZARDOUS	264	54	318
STATE POLICE	66	4	70
TOTAL - ALL SYSTEMS	436	92	528

NOTE: DOES NOT INCLUDE INDIVIDUALS IN PAY STATUS IN OTHER SYSTEMS

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
RETIRED LIVES SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	2,352	1,481,788.81	7,455	3,304,148.74	9,807	4,785,937.55
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	1,636	1,065,937.33	625	219,624.32	2,261	1,285,561.65
66-2/3% TO BENEFICIARY	458	549,253.97	176	117,906.11	634	667,160.08
50% TO BENEFICIARY	695	676,875.85	437	293,347.66	1,132	970,223.51
POP-UP OPTION	1,433	1,343,458.62	826	519,820.72	2,259	1,863,279.34
10 YEARS CERTAIN	0	0.00	0	0.00	0	0.00
10 YEARS CERTAIN & LIFE	1,178	625,182.95	2,031	872,618.43	3,209	1,497,801.38
SOCIAL SECURITY OPTION						
OPTION C	193	271,742.14	318	236,966.09	511	508,708.23
OPTION D	460	624,255.79	174	136,378.31	634	760,634.10
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	1	324.00	1	324.00	2	648.00
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	431	279,775.08	324	148,667.41	755	428,442.49
20 YEARS CERTAIN & LIFE	261	231,092.53	240	138,146.29	501	369,238.82
5 YEARS ONLY	0	0.00	1	124.55	1	124.55
TOTAL	9,098	7,149,687.07	12,608	5,988,072.63	21,706	13,137,759.70

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
RETIRED LIVES SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	355	582,936.39	88	70,799.69	443	653,736.08
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	332	482,283.01	18	10,412.28	350	492,695.29
66-2/3% TO BENEFICIARY	159	306,674.91	5	7,067.84	164	313,742.75
50% TO BENEFICIARY	239	424,027.21	11	8,767.71	250	432,794.92
POP-UP OPTION	878	1,550,350.51	30	29,857.35	908	1,580,207.86
10 YEARS CERTAIN	40	70,985.30	6	12,446.28	46	83,431.58
10 YEARS CERTAIN & LIFE	120	180,139.02	24	30,532.62	144	210,671.64
SOCIAL SECURITY OPTION						
OPTION C	93	141,763.73	7	6,925.90	100	148,689.63
OPTION D	281	400,220.75	14	10,362.60	295	410,583.35
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	93	26,281.06	72	20,137.34	165	46,418.40
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	40	52,654.05	3	2,544.88	43	55,198.93
20 YEARS CERTAIN & LIFE	80	122,037.19	16	13,216.72	96	135,253.91
5 YEARS ONLY	0	0.00	0	0.00	0	0.00
TOTAL	2,710	4,340,353.13	294	223,071.21	3,004	4,563,424.34

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
BENEFICIARY SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	0	0.00	0	0.00	0	0.00
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	197	66,728.89	1,116	397,114.03	1,313	463,842.92
66-2/3% TO BENEFICIARY	19	5,240.09	125	43,188.89	144	48,428.98
50% TO BENEFICIARY	39	9,557.99	234	66,238.26	273	75,796.25
POP-UP OPTION	49	21,353.53	152	85,480.29	201	106,833.82
10 YEARS CERTAIN	49	21,300.97	101	61,776.29	150	83,077.26
10 YEARS CERTAIN & LIFE	71	34,733.11	126	58,358.97	197	93,092.08
SOCIAL SECURITY OPTION						
OPTION C	0	0.00	0	0.00	0	0.00
OPTION D	8	1,800.63	41	43,342.82	49	45,143.45
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	1	393.19	4	615.45	5	1,008.64
DEPENDENT CHILD	0	0.00	0	0.00	0	0.00
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	28	16,750.31	93	47,677.60	121	64,427.91
20 YEARS CERTAIN & LIFE	24	8,329.90	47	32,165.45	71	40,495.35
5 YEARS ONLY	124	48,581.86	61	48,894.97	185	97,476.83
TOTAL	609	234,770.47	2,100	884,853.02	2,709	1,119,623.49

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
BENEFICIARY SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	0	0.00	0	0.00	0	0.00
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	2	1,428.12	76	73,161.71	78	74,589.83
66-2/3% TO BENEFICIARY	0	0.00	15	15,063.30	15	15,063.30
50% TO BENEFICIARY	0	0.00	17	9,530.30	17	9,530.30
POP-UP OPTION	0	0.00	36	46,006.80	36	46,006.80
10 YEARS CERTAIN	8	16,024.84	11	16,219.26	19	32,244.10
10 YEARS CERTAIN & LIFE	0	0.00	1	36.88	1	36.88
SOCIAL SECURITY OPTION						
OPTION C	0	0.00	0	0.00	0	0.00
OPTION D	1	3,291.27	33	45,844.74	34	49,136.01
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	3	2,982.82	3	2,982.82
DEPENDENT CHILD	1	290.30	0	0.00	1	290.30
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	0	0.00	1	74.63	1	74.63
20 YEARS CERTAIN & LIFE	1	1,158.96	4	7,039.93	5	8,198.89
5 YEARS ONLY	6	4,964.25	1	566.73	7	5,530.98
TOTAL	19	27,157.74	198	216,527.10	217	243,684.84

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED RETIREMENT SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
15-19	0	0.00	0	0.00	0	0.00
20-24	25	2,703.75	2	230.77	27	2,934.52
25-29	40	6,264.72	40	5,095.28	80	11,360.00
30-34	99	22,147.22	178	29,673.44	277	51,820.66
35-39	173	52,534.39	306	67,684.63	479	120,219.02
40-44	192	72,453.48	484	103,568.52	676	176,022.00
45-49	275	103,121.14	566	133,323.75	841	236,444.89
50-54	282	115,306.04	636	170,080.97	918	285,387.01
55-59	165	58,354.37	305	66,323.35	470	124,677.72
60-64	90	25,815.58	116	24,404.01	206	50,219.59
65-69	31	4,090.26	32	5,989.95	63	10,080.21
70-74	10	862.93	10	2,298.17	20	3,161.10
75-79	14	1,256.73	5	554.93	19	1,811.66
80-84	1	156.92	3	329.62	4	486.54
85 +	0	0.00	0	0.00	0	0.00
TOTAL	1,397	465,067.53	2,683	609,557.39	4,080	1,074,624.92

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED RETIREMENT SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
15-19	0	0.00	0	0.00	0	0.00
20-24	0	0.00	0	0.00	0	0.00
25-29	7	1,371.48	1	190.01	8	1,561.49
30-34	22	7,824.77	3	726.24	25	8,551.01
35-39	21	8,162.63	8	1,942.77	29	10,105.40
40-44	24	10,916.26	5	1,940.02	29	12,856.28
45-49	30	13,058.24	3	1,372.26	33	14,430.50
50-54	11	5,121.22	4	1,015.96	15	6,137.18
55-59	3	836.13	1	70.89	4	907.02
60-64	3	369.97	0	0.00	3	369.97
65-69	2	565.07	0	0.00	2	565.07
70-74	0	0.00	0	0.00	0	0.00
75-79	0	0.00	0	0.00	0	0.00
80-84	0	0.00	0	0.00	0	0.00
85 +	0	0.00	0	0.00	0	0.00
TOTAL	123	48,225.77	25	7,258.15	148	55,483.92

COUNTY EMPLOYEES RETIREMENT SYSTEM
NONHAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED MEMBERSHIP SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS
15-19	2,321	385,886.36	113	38,853.81	2,434	424,740.17
20-24	738	657,989.04	429	189,866.34	1,167	847,855.38
25-29	966	626,194.68	1,849	1,202,258.60	2,815	1,828,453.28
30-34	1,210	941,610.86	2,723	2,079,874.04	3,933	3,021,484.90
35-39	1,043	827,436.04	2,260	1,830,321.13	3,303	2,657,757.17
40-44	968	746,135.58	2,230	1,840,980.48	3,198	2,587,116.06
45-49	892	800,090.55	1,884	1,912,674.71	2,776	2,712,765.26
50-54	725	917,674.76	1,396	1,515,905.51	2,121	2,433,580.27
55-59	446	599,092.95	726	785,234.03	1,172	1,384,326.98
60-64	307	336,556.05	372	345,498.81	679	682,054.86
65-69	171	167,419.47	160	146,774.47	331	314,193.94
70-74	93	66,820.67	89	44,354.49	182	111,175.16
75-79	61	23,993.72	41	16,323.35	102	40,317.07
80-84	27	15,619.03	17	7,306.33	44	22,925.36
85 +	8	2,277.17	11	3,698.29	19	5,975.46
TOTAL	9,976	7,114,796.93	14,300	11,959,924.39	24,276	19,074,721.32

COUNTY EMPLOYEES RETIREMENT SYSTEM
HAZARDOUS DUTY EMPLOYEE CLASSIFICATION
VESTED MEMBERSHIP SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS
15-19	64	15,822.02	0	0.00	64	15,822.02
20-24	33	61,746.22	0	0.00	33	61,746.22
25-29	84	157,207.46	15	38,873.61	99	196,081.07
30-34	79	129,436.87	18	34,820.48	97	164,257.35
35-39	51	92,597.27	14	8,856.86	65	101,454.13
40-44	33	55,104.64	7	3,329.61	40	58,434.25
45-49	20	81,468.39	5	7,144.15	25	88,612.54
50-54	17	27,967.04	5	53,485.16	22	81,452.20
55-59	7	29,108.72	3	5,211.32	10	34,320.04
60-64	2	11,948.61	1	1,009.88	3	12,958.49
65-69	3	1,542.03	0	0.00	3	1,542.03
70-74	1	239.26	0	0.00	1	239.26
75-79	0	0.00	0	0.00	0	0.00
80-84	0	0.00	0	0.00	0	0.00
85 +	0	0.00	0	0.00	0	0.00
TOTAL	394	664,188.53	68	152,731.07	462	816,919.60

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Effective Date

The state of Kentucky established the County Employees Retirement System in July, 1958. The plan benefits have been improved several times, most recently as of August 1, 1998.

Plan Year

A plan year is a twelve month period beginning on July 1.

Final Compensation

Final compensation is the average salary during the five highest paid fiscal years for nonhazardous positions. If the months of service credit during the highest five year period is less than forty-eight, one or more additional fiscal years shall be used. For a member whose effective retirement date is between August 1, 2001 and January 1, 2009, and whose total service credit is at least 27 years and whose age and years of service total at least 75, final compensation is based on three years rather than five years.

For hazardous positions, final compensation is the average salary during the three highest paid fiscal years.

Service

Service means the sum of prior service and current service as defined below:

- (a) Prior service is credited for regular full-time employment of at least 100 hours of work per month with a participating agency before July 1, 1958. In some instances prior service credit is granted for time spent in the military.
- (b) Current service is obtained for regular full-time employment which averages at least 100 hours of work per month with participating agencies after July 1, 1958. Current service credit may be granted for military service and educational leaves if special criteria are met.
- (c) Employers may elect to purchase up to 6 months additional service credit based on an employee's unused sick leave.

Eligibility

Any county or political subdivision or instrumentality, including school boards or urban county government may participate in the System upon approval by the Board. Membership in the system consists of:

- (a) all persons who become employees of a county after such county first participates,
- (b) all persons who are employees on the date a county first participates and who elect within thirty days to become members and make contributions.

Membership does not include employees of a county who are members of some other state, county, or local retirement system, supported in whole or in part by public funds.

Normal Retirement Date

A member may elect to retire upon: (1) attaining age 65 for non-hazardous positions, or attaining age 55 for hazardous positions, and (2) having contributed to the System. Upon completion of 27 years of service credit, 15 of which are current service for non-hazardous positions, or completion of 20 years of service credit for hazardous positions, a member may elect to retire with an unreduced benefit.

Early Retirement Date

A member may elect to retire before the normal retirement date at any time after: (1) for non-hazardous positions, attainment of age 55 and completion of 60 months of service credit at least 12 of which are current, or at any age after 25 years of service, or (2) for hazardous positions, attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits

For non-hazardous positions, upon attainment of age 65 and completion of 48 months of service, of which 12 months are current service, a monthly benefit equal to 2.20% of the member's final compensation multiplied by his service will be payable. For hazardous positions, a monthly benefit equal to 2.50% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member, with less than 48 months for non-hazardous positions or 60 months for hazardous positions, who retires on or after the normal retirement date is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits

A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a non-hazardous position employee has 27 or more years of service credit, 15 of which are current, or a hazardous position employee has 20 or more years of service credit, an unreduced benefit is payable.

Disability Benefits

A member with 60 months of service, 12 of which must be current service, is entitled to a retirement allowance computed in the same manner as the normal retirement benefit with service and final compensation determined as of the disability date. Service credit shall be added on to total service for the period from the last day of paid employment to the 65th birthday (55th for members in a hazardous position) up to a maximum of service credited to the last day of paid employment. Except for members with 25 or more (20 or more for hazardous) years of service on the last day of paid employment, the maximum combined service credit (total service and added service) shall not exceed 25 years (20 years for

hazardous members). For non-hazardous position employees with 25 or more years of service, additional years of service credit will be added up to maximum combined limit of 30, or actual service if greater. For hazardous position employees with 20 or more years of service credit, actual service will be used.

A member in a hazardous position who is disabled in the line of duty is entitled to a retirement benefit of not less than 25% of the member's final monthly rate of pay plus 10% of his final monthly rate of pay for each dependent child. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay. A partial disability benefit may be payable to hazardous employees if the disability is not total and permanent. The disability will be reduced to a rate determined by the Board.

Death Benefits

If a member dies prior to retirement, but after 60 months of service, 12 of which are current and who is a contributing member, or after 12 years of service, one of which is current and who is not a contributing member, or after 48 months service if the member is age 65 or over, a benefit will be payable to the beneficiary based on the member's age, years of service and final compensation at the date of death. The benefit will be equal to the amount payable had the employee retired and elected a joint and 100% survivorship payment form.

If a member in a hazardous position dies in the line of duty and has a spouse as beneficiary, a \$5,000 lump sum payment will be made and a benefit of 25% of the member's final monthly rate of pay will be payable until death or remarriage. If the member in a hazardous position dies in the line of duty and has a dependent as beneficiary, a lump sum payment of \$10,000 will be made. Monthly payments shall be made for each dependent child equal to 10% of the member's final monthly rate of pay, but not greater than 40% of the member's final monthly rate of pay. The beneficiary of a hazardous duty member with 5 or more years of service, one of which is current, may elect a death benefit computed in the same manner as a non-hazardous employee using 2.50% rather than 2.20%.

Upon the death of a retired member, who had a minimum of 48 months of service credit, a death benefit of \$5,000 is payable.

Optional Forms of Payment

Joint and survivor annuities which provide a reduced benefit for the life of the member, with the benefit at the same or at a further reduced rate continuing after the member's death until the death of the designated beneficiary may be elected by the member prior to retirement. Other optional forms include a life annuity with 10, 15 or 20 years of payments guaranteed and a Social Security adjustment with or without survivor rights.

Contributions

Members contribute 5% of gross compensation (8% for hazardous positions). On each June 30, interest is credited at the rate to be determined by the Board on the accumulated contributions the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Medical Insurance

Recipients of a retirement benefit may elect to participate in a voluntary hospital/medical group insurance plan for themselves as well as any beneficiaries or dependents. The cost of participation for any beneficiaries or dependents is borne by the retiree (except that dependents of hazardous position employees and legislators will have the same percentage paid by the system as the member). The retirement system will pay a portion of the cost of participation for the retiree based on years of service credit as follows:

Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

If a hazardous member is disabled in the line of duty, the retirement system will pay 100% of the cost of the member, spouse and eligible dependents. If a hazardous member is killed in the line of duty, the retirement system will pay 100% of the cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

Increase in Retirement Allowances

Effective August 1, 1996, and on July 1 of each year thereafter, a recipient of a retirement allowance shall have his retirement allowance increased by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1996 and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in their judgment the welfare of the Commonwealth so demands.

FORTY-THIRD ANNUAL ACTUARIAL VALUATION

JUNE 30, 2001

STATE POLICE RETIREMENT SYSTEM

FRANKFORT, KENTUCKY

SECTION I

INTRODUCTION

The results of the forty-third annual actuarial valuation of the State Police Retirement System are presented in this report. The actuarial valuation was made on the basis of the data provided by the System as of June 30, 2001.

The purpose of the actuarial valuation is to determine the actuarial condition of the Retirement System and the rate of employer contribution for the ensuing fiscal year as required to support the System.

The plan provisions utilized in this valuation are described in the Summary of Principal Plan Provisions in Section VI. The basis of funding is defined in KRS 61.565 and provides that the actuarial valuation method would be uniform for all benefits provided by the System. The Entry Age Normal Actuarial cost method has been used for all benefits. KRS 61.565 provides that each employer participating in the System shall contribute an amount equal to the Normal Cost contribution rate, and an amount sufficient to amortize the Unfunded Actuarial Accrued Liability over 30 years using the level-percentage-of-payroll method. This is the standard used herein to determine whether the funding of the System is adequate.

The actuarial valuation results are based upon the employee census and asset data supplied by the office of the System, and upon the actuarial assumptions as stated in Section II.

SECTION II

ACTUARIAL CONSIDERATIONS

Description of Actuarial Methods

The actuarial valuation is the means by which the contingent liabilities and contribution rates of a retirement system are evaluated and determined. It provides a guide to the System as to the financing required during years of active service to accumulate the funds needed to provide members' benefits. It also makes it possible to estimate beforehand the cost of proposed changes in the System so that action can be taken in the light of the cost consequences.

The methods of valuation are prescribed by KRS 61.565. The Entry Age Normal Cost Method was used to determine costs of all benefits with the exception of the retiree medical insurance benefit. Under this method the employer's contribution to the retirement system consists of Normal Cost, a payment to fund the Unfunded Actuarial Accrued Liability, medical insurance, and administrative expenses. The Normal Cost represents the contribution (as a level percent of payroll) that completely funds benefits at retirement if made from a person's entry into employment until his retirement. The Actuarial Accrued Liability represents the sum of money and investments that would be held in the fund if the retirement system had been in effect since the date each member was first employed. The payment to fund the Unfunded Actuarial Accrued Liability is the amount necessary to amortize this liability over 30 years using the "level-percentage-of-payroll" method. Under the "level-percentage-of-payroll" method, the amortization payment is an amount which remains constant as a percentage of payroll over the 30 years.

The initial 30 year period began with the 1990 valuation. In each subsequent valuation, any change in Unfunded Actuarial Accrued Liability is identified and established as a separate amortization base with a 30 year funding period beginning with that valuation. The change in Unfunded Actuarial Accrued Liability established as a separate base in each valuation will include changes attributable to experience gains and/or losses over the prior year, as well as changes attributable to benefit improvements and revisions in actuarial assumptions and funding methods.

The medical insurance contribution rate was originally determined in the 1987 valuation as the level percent of payroll necessary to fund projected medical insurance premiums over the next sixteen years (taking into account the level of reserves in the Insurance Fund). Beginning in 1988, this rate is being increased each year by a percentage amount needed to reach the Entry Age Normal funding rate within a 20 year period measured from 1987. This was continued through the 1992 valuation. In the 1992 valuation, an acceleration of the scheduled increases in the medical insurance contribution rate was recommended where possible. This acceleration in these rates was coupled with a deferral of future increases until the time of the next experience study, unless there was a deterioration in the funded position of the medical premium benefit in which case the rate levels were to be reviewed to redetermine an appropriate current funding level, or unless recommended contributions are not made in the prior year, in which case the shortfall would be spread over future years through an increase in the contribution rate. This continued through the 1995 valuation. Effective with the 1996 valuation, a new medical insurance funding policy was adopted by the Board. Under this revised policy, the medical insurance contribution rate for the 1996 valuation was set equal to the 1995 rate plus any reduction in the retirement and administrative expense rates between the 1995 and 1996 valuations (but in no event to be less than the 1995 medical insurance contribution rate). Beginning with the 1997 valuation, the

medical insurance contribution rate is to be increased at the start of each biennium (coincides with valuations in odd numbered years) by the percentage amount necessary to raise this medical insurance rate to the full Entry Age Normal Cost Method contribution rate by the year 2016. There will be no changes in the even numbered years unless there are actuarial gains relative to the retirement funding which will then be used to increase the medical insurance funding rate for the next year only.

The Board reviewed this funding policy in conjunction with the experience study prepared following the 2000 valuation. The current policy relative to the establishment of the permanent portion of the insurance fund rate was not changed. But in years where there may be a temporary reduction in the retirement fund contribution rate, the Board may use the amount of that reduction as an additional temporary contribution to the insurance fund.

In computing the full Entry Age Normal Cost Method contribution rate, liabilities are to be developed based on actuarial assumptions in use in the current valuation (as adjusted from time to time due to experience studies) and actuarial value of assets based on the same method as employed for the retirement benefit valuation. The actuarial value of assets for the medical contribution rate valuation utilized book value prior to the 1996 valuation, and a 5-year market to book value average from 1996 through the 2000 valuation. The current asset valuation method was employed effective with the 2001 valuation.

The amount of the administrative expense was based on the budgeted amount for the twelve months following the date of the valuation

Actuarial Assumptions

Since the actuarial valuation involves estimates of benefits payable in the future, it is necessary that assumptions be made as to the interest earnings, rates of mortality, withdrawal, retirement, and disability, and the rate at which salaries will increase. In addition, an assumption must be made relative to increases in medical insurance rates in order to value the liability for the medical insurance benefit.

It is desirable that the actuarial assumptions be reviewed periodically to see whether past experience and probable future experience justifies the continued use of these actuarial assumptions. Such a study was performed subsequent to the 2000 actuarial valuation and new actuarial assumptions were adopted by the Board for use in the 2001 and subsequent actuarial valuations, until such time as another experience study is performed. This valuation reflects assumptions based on the 2000 experience study. The actuarial assumptions as used in this valuation are described later in this section.

Actuarial Value of Assets

The actuarial value of assets is determined in the following manner for both the Retirement Fund and Insurance Fund:

1. Develop expected assets by projecting valuation assets from the prior valuation using the assumed valuation interest rate from the prior valuation and actual cash flows for the 12 months ending on the current valuation date.
2. The current year investment gain/loss shall be determined as the difference between actual market value as of the current valuation date and expected assets as computed in (1), further adjusted for any amount of investment gain/loss from prior years not yet recognized as of the current valuation date.
3. The amount of investment gain/loss for the current year shall be reflected equally over the current year and the following 4 years.
4. Valuation assets will be equal to expected assets from (1) plus/minus the amount of investment gain/loss from the current and prior 4 years to be recognized in the current year.
5. The starting point for this method shall be the actuarial value of assets as computed in the 2000 valuation under the prior asset valuation method then in effect. Only investment gains/losses occurring after June 30, 2000 shall be recognized and amortized under this method.

The following table shows the derivation of valuation assets for the Retirement Fund and the Insurance Fund as of the current valuation:

	RETIREMENT FUND	INSURANCE FUND
June 30. 2000 Valuation Assets	459,168,574	71,711,712
Cash Flows		
> Employer Contributions	1,516,267	8,113,391
> Member Contributions	4,138,298	
> Retirement Benefits	22,644,170	
> Net Refunds	80,369	
> Insurance Premiums		3,545,672
> Administrative Expenses	64,171	28,055
> Investment Manager Fees	149,945	6,583
Valuation Interest Assumption	8.25%	8.25%
Expected Return on Valuation Assets		
Reflecting Actual Cash Flows *	37,168,439	6,103,206
Expected Valuation Assets	479,052,923	82,347,999
Actual Market Value of Assets	364,591,852	69,925,891
Investment Gain/(Loss)	(114,461,071)	(12,422,108)
Amortization Amounts From Prior Valuations		
> Valuation Year – 1		
>> Initial Amount	N/A	N/A
>> Current Valuation Amount	N/A	N/A
>> Amortization	N/A	N/A
> Valuation Year – 2		
>> Initial Amount	N/A	N/A
>> Current Valuation Amount	N/A	N/A
>> Amortization	N/A	N/A
> Valuation Year – 3		
>> Initial Amount	N/A	N/A
>> Current Valuation Amount	N/A	N/A
>> Amortization	N/A	N/A
> Valuation Year – 4		
>> Initial Amount	N/A	N/A
>> Current Valuation Amount	N/A	N/A
>> Amortization	N/A	N/A
Unamortized Amount of Gain/(Loss) From Prior Valuations	0	0
Investment Gain/(Loss) to be Amortized from Current Valuation Date		
> Amount	(114,461,071)	(12,422,108)
> Amortization	(22,892,214)	(2,484,422)
June 30. 2001 Valuation Assets		
> Expected Assets	479,052,923	82,347,999
> Amortization Amounts	(22,892,214)	(2,484,422)
> Valuation Assets	456,160,709	79,863,577

*Cash flows are assumed equally spread throughout the year

A. STATEMENT OF ACTUARIAL ASSUMPTIONS

- (1) Mortality:
 - (a) Active & retired lives - 1983 Group Annuity Mortality Table, plus a pre-retirement duty death rate of .0005 per year.
 - (b) Disabled lives - Social Security Administration Disability Mortality Rates - Actuarial Study No. 75 (current rates used by PBGC for disabled lives receiving Social Security).
- (2) Disablement - Graduated rates based on 2000 experience study (no change from 1995 experience study).
- (3) Termination of employment # - Graduated rates based on 2000 experience study.
- (4) Retirement - 60% will retire as soon as eligible for unreduced benefits and balance will continue to age 55.
- (5) Marital status
 - (a) Percentage married - 100%.
 - (b) Age difference - Males are assumed to be 3 years older than their spouses.
- (6) Dependent children - For duty related death benefits, it is assumed that the employee is survived by 2 dependent children, each age 6.
- (7) Investment return - 8.25% per year, net of investment related expenses, compounded annually.
- (8) Compensation progression #
 - 1st year: 12.00%
 - 2nd year: 10.00%
 - 3rd year: 8.00%
 - Thereafter: 6.50%, compounded annually.
- (9) Underlying Inflation Rate - 3.50% per year, reflected in investment return and compensation progression assumptions.
- (10) Retiree Medical Insurance # - It was assumed that future retirees would select medical coverage in the same proportion that current retirees have selected coverage. Monthly contribution rates were assumed to be as follows:

<u>Plan Type</u>	<u>Rate in Effect on Valuation Date</u>
Single	
- Region 1	\$252.46
- Region 2	293.46
- Region 3	273.52
- All Others	234.00
Family	577.00
Parent Plus	350.00
Couple	525.00
Medicare*	
- Low Option	96.41
- High Option	229.03

Region 1: Boyd, Carter, Elliott, Greenup

Region 2: Christian, Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Todd, Trigg, Union, Webster

Region 3: Harlan, Lewis, Mason, Perry, Roberston

<u>Carrier</u>	<u>Medicare Rate</u>		<u>Contracts in Force</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
	<u>Option</u>	<u>Option</u>	<u>Option</u>	<u>Option</u>
Anthem BC/BS	101.26	231.35	2,839	17,314
Bankers Life	91.78	216.94	272	156
Option 2000	83.05	216.51	504	1,767
Humana	85.00	247.00	490	1,729
Humana				
Gold Plus	85.00	136.00	17	507

*Weighted average of current rates available from different carriers; weighting based on number of contracts in force.

In determining the target Entry Age Funding rate in valuations beginning with 1996, it was assumed that medical contribution rates would grow at the following annual levels:

<u>Years</u>	<u>Medical Increase</u>
2001 - 2002	12%
2003 - 2005	10%
2006 - 2010	9%
2011 - 2015	8%
2016 - 2020	7.5%
Thereafter	7%

The assumed rate of growth in number of retirees receiving medical insurance was based on assumed retirement and mortality patterns used throughout the valuation.

(11) Missing data

- For those active members with incomplete data, the following assumptions were made:

- . If reported salary was zero or blank, then monthly salary was assumed to be \$2,139.58.
- . If reported age was blank, then assume current age equal to age 18 plus years of service reported

(12) Members with Multiple Service Records

- For active members with service in more than one system, the liability has been valued as follows:
 - . Service under all systems is aggregated for purposes of determining benefit eligibility.
 - . Future service is projected only under the system in which the member is currently active.
 - . The actual benefit under each system is determined based only on service (past and projected future service, if applicable) under that system.
 - . The liability is determined under each system based on the actuarial assumptions used for the system in which the member is currently active. This liability is then included in the valuation of the system in which the service has been earned (or is projected to be earned).

For inactive members with service in more than one system, the benefit attributable to the service under each system is determined, and the liability for that benefit is then included in the valuation of the system in which the service was earned.

Changes in assumptions from those used in 2000 valuation.

B. SAMPLE RATES

(1) Annual Rates of Mortality:

<u>Age</u>	<u>Active Mortality*</u>		<u>Disabled Mortality</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
25	0.05%	0.03%	4.83%	2.63%
30	0.06%	0.03%	3.62%	2.37%
40	0.12%	0.07%	2.82%	2.09%
50	0.40%	0.16%	3.83%	2.57%
55	0.61%	0.25%	4.82%	2.95%
60	0.92%	0.42%	6.03%	3.31%

*Plus 0.05% duty death rate prior to retirement.

(2) Annual Rates of Decrement:

<u>Age</u>	<u>Disablement</u>	<u>Ultimate Termination</u>	
		<u>KERS and CERS Hazardous</u>	<u>SPRS</u>
25	0.042%	3.04%	1.82%
30	0.050%	3.38%	2.03%
40	0.132%	1.50%	0.90%
50	0.530%	0.00%	0.00%
55	0.992%	0.00%	0.00%
60	1.743%	0.00%	0.00%

(3) Compensation Progression (after 1st 3 Years):

<u>Age</u>	<u>Rate of Annual Increase</u>	<u>Compensation at Normal Retirement as Percentage Of Current Annual Compensation</u>
25	6.50%	661.4%
30	6.50%	482.8%
40	6.50%	257.2%
50	6.50%	137.0%

SECTION III

RESULTS OF THE 2001 ACTUARIAL VALUATION

Determination of Contribution Rate

The rate of contribution by the State required to provide 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, the employer share of the Normal Cost, medical insurance and the expenses of administration, is shown in Table I. The required contribution is expressed both in dollars and as a percentage of the estimated annual State payroll as of June 30, 2001.

The actuarial methods applied to determine the Normal Cost for the year commencing July 1, 2001 are described in Section II. These costs are classified by type of benefit. The Normal Cost contribution rate is determined by reducing the total Normal Cost by the expected employee contributions. A breakdown of actuarial liabilities and costs between Hazardous and Non-Hazardous position employees appears in Table II for the Retirement Fund and Table IV for the Insurance Fund. A breakdown of the total Unfunded Actuarial Accrued Liability into the amortization amounts by year is shown in Table III for the Retirement Fund and Table V for the Insurance Fund. Table VI has been included to show an estimate of projected payouts from the funds over the next 10 years based on current plan provisions and actuarial assumptions.

Actuarial Balance Sheet

Table VII is the actuarial balance sheet of the State Police Retirement System as of June 30, 2001 for the Retirement Fund. Table VIII is the actuarial balance sheet for the Insurance Fund. The "actuarial balance sheet" displays the fundamental relationship between actual assets, future contributions, and future benefits. The asset side of the balance sheet is comprised of actual fund assets plus the actuarial present value of future contributions on behalf of current members. The actuarial present values of all projected benefit payments to present active and inactive members make up the balance sheet liabilities.

Accountant's Information

Table IX contains additional information needed to comply with GASB disclosure requirements relative to the Retirement Fund.

Table X contains additional information needed to comply under GASB Statement No. 12 relative to the Insurance Fund.

TABLE I
STATE POLICE RETIREMENT SYSTEM
RETIREMENT AND INSURANCE FUND
DETERMINATION OF CONTRIBUTION RATE - JUNE 30, 2001

UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND

		Percent *
Total Actuarial Accrued Liability	\$ 356,211,860	805.73%
Assets at Actuarial Value	456,160,709	1031.81%
Unfunded Actuarial Accrued Liability	\$ (99,948,849)	(226.08%)
Contribution - Payment on Unfunded Actuarial Accrued Liability	\$ (5,139,966)	(11.63%)

NORMAL COST - RETIREMENT FUND

Retirement Benefits	\$ 6,827,735	15.46%
Disability Benefits	283,201	0.63%
Withdrawal Benefits (Vested and Refund of Contributions)	275,027	0.62%
Survivor Benefits	239,175	0.54%
Total Normal Cost	\$ 7,625,138	17.25%
Less: Employee Contributions	3,426,389	7.75%
Normal Cost - State	\$ 4,198,749	9.50%

TOTAL ANNUAL EMPLOYER COST - RETIREMENT AND INSURANCE FUND

Normal Cost	\$ 4,198,749	9.50%
Payment on Unfunded Actuarial Accrued Liability	(5,139,966)	(11.63%)
Administrative Expense	194,082	0.44%
Subtotal - Retirement Fund (Not Less Than Zero)	\$ 0	0.00%
Group Hospital and Medical Insurance Premiums	9,540,506	21.58%
Total Annual Cost	\$ 9,540,506	21.58%

* Based on estimated annual salaries of	\$ 44,209,944
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TABLE II STATE POLICE RETIREMENT SYSTEM RETIREMENT FUND CLASSIFICATION OF ACTUARIAL LIABILITIES AND COSTS - JUNE 30, 2001	
ACTUARIAL ACCRUED LIABILITY	
Active Members	
Retirement Benefits	\$ 125,496,792
Disability Benefits	2,661,774
Withdrawal Benefits (Vested and Refund of Contributions)	649,894
Survivor Benefits	2,970,628
Total - Actives	\$ 131,779,088
Inactive Members	
Retired Members and Beneficiaries	\$ 224,139,350
Vested Retirement	232,861
Vested Membership	60,561
Total - Inactives	\$ 224,432,772
Total Actuarial Accrued Liability	\$ 356,211,860
UNFUNDED ACTUARIAL ACCRUED LIABILITY	
Total Actuarial Accrued Liability	\$ 356,211,860
Less Actuarial Value of Assets	456,160,709
Unfunded Actuarial Accrued Liability	\$ (99,948,849)
NORMAL COST	
Retirement Benefits	\$ 6,827,735
Disability Benefits	283,201
Withdrawal Benefits (Vested and Refund of Contributions)	275,027
Survivor Benefits	239,175
Total Normal Cost	\$ 7,625,138
Less Employee Contributions	3,426,389
Total Normal Cost - State	\$ 4,198,749

TABLE III
STATE POLICE RETIREMENT SYSTEM
UNFUNDED ACTUARIAL ACCRUED LIABILITY - RETIREMENT FUND - JUNE 30, 2001

Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
6/30/1990	\$ 8,982,071	\$ 11,211,586	\$ 765,650	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1991	9,963,656	12,308,804	809,599	Experience gains/losses for 7/1/1990 to 6/30/1991
6/30/1992	(24,502,117)	(29,884,826)	(1,897,806)	Experience gains/losses for 7/1/1991 to 6/30/1992; Retiree COLA's; Asset valuation method change
6/30/1993	(3,706,436)	(4,453,445)	(273,646)	Experience gains/losses for 7/1/1992 to 6/30/1993; State contribution shortfall
6/30/1994	10,380,135	12,262,095	730,502	Experience gains/losses for 7/1/1993 to 6/30/1994; Retiree COLA's; State contribution shortfall
6/30/1995	22,729,292	26,349,676	1,524,698	Experience gains/losses for 7/1/1994 to 6/30/1995
6/30/1996	(17,793,855)	(20,209,741)	(1,137,748)	Experience gains/losses for 7/1/1995 to 6/30/1996; Revised actuarial assumptions
6/30/1997	(31,021,470)	(34,437,148)	(1,889,084)	Experience gains/losses for 7/1/1996 to 6/30/1997; 2.8% retiree COLA effective 8/1/1996
6/30/1998	12,716,788	13,778,617	737,514	Experience gains/losses for 7/1/1997 to 6/30/1998; Revised average salary definition from 5 years to 3 years; Increase in death benefit from \$2,500 to \$5,000; 3.0% retiree COLA effective 7/1/1997
6/30/1999	(31,317,924)	(33,076,611)	(1,729,808)	Experience gains/losses for 7/1/1998 to 6/30/1999; 2.3% retiree COLA effective 7/1/1998
6/30/2000	(77,707,399)	(79,904,019)	(4,087,730)	Experience gains/losses for 7/1/1999 to 6/30/2000; 1.6% retiree COLA effective 7/1/1999
6/30/2001	26,106,163	26,106,163	1,307,893	Experience gains/losses for 7/1/2000 to 6/30/2001; 2.2% retiree COLA effective 7/1/2000
Total	\$ (95,171,096)	\$ (99,948,849)	\$ (5,139,966)	

TABLE IV STATE POLICE RETIREMENT SYSTEM INSURANCE FUND DETERMINATION OF ENTRY AGE CONTRIBUTION RATE - JUNE 30, 2001	
ACTUARIAL ACCRUED LIABILITY	
Active Members	\$ 71,792,369
Inactive Members	
Retired Members	\$ 74,905,454
Beneficiaries	11,063,908
Vested Retirement	499,748
Vested Membership	0
Total - Inactives	\$ 86,469,110
Total Actuarial Accrued Liability	\$ 158,261,479
UNFUNDED ACTUARIAL ACCRUED LIABILITY	
Total Actuarial Accrued Liability	\$ 158,261,479
Less Actuarial Value of Assets	79,863,577
Unfunded Actuarial Accrued Liability	\$ 78,397,902
NORMAL COST	
Gross Normal Cost	\$ 6,258,315
Less Employee Contributions	0
Net Normal Cost - State	\$ 6,258,315
Estimated Annual Salaries	\$ 44,209,944
TOTAL ANNUAL EMPLOYER COST	
Contribution Amount	
Normal Cost	\$ 6,258,315
Payment on Unfunded Actuarial Accrued Liability	4,438,567
Total Annual Cost	\$ 10,696,882
As Percent of Payroll	
Normal Cost	14.16%
Payment on Unfunded Actuarial Accrued Liability	10.04%
Total Annual Cost	24.20%
INSURANCE FUND SHORTFALL	
Full Entry Age Funding Level	24.20%
Current Funding Allocation *	18.47%
Additional to Pick Up By 2016	5.73%
Expected Increase in Insurance Fund Rate in 2002 Valuation	0.00%
* Without regard to any one-year temporary adjustments for actuarial gains	

TABLE V STATE POLICE RETIREMENT SYSTEM UNFUNDED ACTUARIAL ACCRUED LIABILITY - INSURANCE FUND - JUNE 30, 2001				
Date Established	Amount of Base on		Amortization Payment	Source of Base
	Date Established	Current Valuation Date		
6/30/1996	\$ 73,323,619	\$ 83,278,826	\$ 4,688,348	Cumulative unfunded actuarial accrued liability set up as initial base under revised funding policy (30 year level percent of payroll method)
6/30/1997	8,088,952	8,979,603	492,585	Experience gains/losses for 7/1/1996 to 6/30/1997; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1998	(2,668,212)	(2,891,002)	(154,744)	Experience gains/losses for 7/1/1997 to 6/30/1998; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/1999	(13,378,283)	(14,129,553)	(738,933)	Experience gains/losses for 7/1/1998 to 6/30/1999; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2000	(6,431,546)	(6,613,352)	(338,326)	Experience gains/losses for 7/1/1999 to 6/30/2000; Impact of actual insurance fund contributions vs. full entry age amounts
6/30/2001	9,773,380	9,773,380	489,637	Experience gains/losses for 7/1/2000 to 6/30/2001; Impact of actual insurance fund contributions vs. full entry age amounts
Total	\$ 68,707,910	\$ 78,397,902	\$ 4,438,567	

TABLE VI	
STATE POLICE RETIREMENT SYSTEM	
BENEFIT PAYMENT PROJECTIONS	
RETIREMENT FUND PAYMENT PROJECTIONS	
Plan Year	Total
7/1/2001 to 6/30/2002	24,097,000
7/1/2002 to 6/30/2003	25,621,000
7/1/2003 to 6/30/2004	27,245,000
7/1/2004 to 6/30/2005	29,268,000
7/1/2005 to 6/30/2006	30,727,000
7/1/2006 to 6/30/2007	33,372,000
7/1/2007 to 6/30/2008	35,408,000
7/1/2008 to 6/30/2009	38,393,000
7/1/2009 to 6/30/2010	40,983,000
7/1/2010 to 6/30/2011	43,222,000
INSURANCE FUND PAYMENT PROJECTIONS	
Plan Year	Total
7/1/2001 to 6/30/2002	4,403,000
7/1/2002 to 6/30/2003	5,014,000
7/1/2003 to 6/30/2004	5,688,000
7/1/2004 to 6/30/2005	6,392,000
7/1/2005 to 6/30/2006	7,084,000
7/1/2006 to 6/30/2007	8,035,000
7/1/2007 to 6/30/2008	8,832,000
7/1/2008 to 6/30/2009	9,885,000
7/1/2009 to 6/30/2010	11,012,000
7/1/2010 to 6/30/2011	12,175,000
<p>Projected benefit payments reflect future actual experience consistent with actuarial assumptions used in current annual valuation. Future cost-of-living adjustments of 3% per annum have been assumed in retirement benefit amounts. Insurance fund payments reflect future medical inflation rates consistent with the valuation assumption. There has not been any assumption made as to the number of future new entrants who may enter the plan. Nor has any provision been made for any change in the basic benefit structure of the plan beyond changes already legislated.</p>	

TABLE VII
STATE POLICE RETIREMENT SYSTEM
RETIREMENT FUND
ACTUARIAL BALANCE SHEET - JUNE 30, 2001

ACTUARIAL ASSETS		
Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		\$ 456,160,709
Actuarial Present Value of Future Member Contributions		33,977,686
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	\$ 41,422,943	
For Unfunded Actuarial Accrued Liability	(99,948,849)	
Total		\$ (58,525,906)
Total Actuarial Assets		\$ 431,612,489
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	\$ 224,139,350	
Vested Retirement	232,861	
Vested Membership	60,561	
Total - Inactive		\$ 224,432,772
Actuarial Present Value of Future Benefits		
Active Members:		
Retirement Benefits	\$ 193,083,480	
Disability Benefits	5,395,695	
Withdrawal Benefits (Vested and Refund of Contributions)	3,386,840	
Survivor Benefits	5,313,702	
Total - Active		\$ 207,179,717
Refunds and Expenses Payable		\$ 0
Total Actuarial Liabilities		\$ 431,612,489
Notes		
* Values as of June 30, 2001		
Market value of assets:		\$ 364,591,852
Actuarial value of assets:		\$ 456,160,709
Member's Contribution Account:		\$ 34,338,478
** Present value of accrued benefit deferred to normal retirement date.		

TABLE VIII
STATE POLICE RETIREMENT SYSTEM
INSURANCE FUND
ACTUARIAL BALANCE SHEET - JUNE 30, 2001

ACTUARIAL ASSETS		
Fund Assets at Actuarial Value (Plus Refunds and Expenses Payable) *		\$ 79,863,577
Actuarial Present Value of Future Member Contributions (Note: All Future Member Contributions Credited Against Retirement Fund)		0
Actuarial Present Value of Future Employer Contributions		
For Normal Costs	\$ 69,968,924	
For Unfunded Actuarial Accrued Liability	78,397,902	
Total		\$ 148,366,826
Total Actuarial Assets		\$ 228,230,403
ACTUARIAL LIABILITIES		
Actuarial Present Value of Future Benefits		
Inactive Members:		
Retired Members and Beneficiaries	\$ 85,969,362	
Vested Retirement	499,748	
Vested Membership	0	
Total - Inactive		\$ 86,469,110
Actuarial Present Value of Future Benefits		
Active Members:		\$ 141,761,293
Refunds and Expenses Payable		0
Total Actuarial Liabilities		\$ 228,230,403
Notes		
* Values as of June 30, 2001		
Market value of assets:		\$ 69,925,891
Actuarial value of assets:		\$ 79,863,577

TABLE IX STATE POLICE RETIREMENT SYSTEM ACCOUNTANT'S INFORMATION - RETIREMENT FUND - JUNE 30, 2001 GASB DISCLOSURE INFORMATION	
NUMBER OF MEMBERS	
Inactive Members	
Retired Members	767
Beneficiaries	75
Vested Retirements	12
Vested Membership	78
Total Inactive Members	932
Active Members	
Vested Members	756
Nonvested Members	260
Total Active Members	1,016
Total Members	1,948

TABLE X STATE POLICE RETIREMENT SYSTEM ACCOUNTANT'S INFORMATION - INSURANCE FUND - JUNE 30, 2001 INFORMATION REQUIRED UNDER GASB STATEMENT NO. 12		
NUMBER OF MEMBERS		
Contracts in Force - Retirees and Dependents		
(1) Single;	- 100% Paid	187
Pre-Medicare	- 75% Paid	2
	- 50% Paid	4
	- 25% Paid	1
	- 0% Paid	0
(2) Family;	- 100% Paid	121
Pre-Medicare	- 75% Paid	0
	- 50% Paid	1
	- 25% Paid	0
	- 0% Paid	0
(3) Parent +;	- 100% Paid	47
Pre-Medicare	- 75% Paid	0
	- 50% Paid	0
	- 25% Paid	0
	- 0% Paid	0
(4) Couple;	- 100% Paid	222
Pre-Medicare	- 75% Paid	3
	- 50% Paid	1
	- 25% Paid	2
	- 0% Paid	0
(5) Medicare Regular	- 100% Paid	8
	- 75% Paid	0
	- 50% Paid	0
	- 25% Paid	0
	- 0% Paid	0
(6) Medicare High Option	- 100% Paid	272
	- 75% Paid	3
	- 50% Paid	1
	- 25% Paid	1
	- 0% Paid	1
Vested Retirements		12
Vested Membership		78
Active Members		1,016
UNFUNDED MEDICAL BENEFIT OBLIGATION		
Medical Benefit Obligation		
Retirees, Beneficiaries and Vested Terminated Members	\$	86,469,110
Active Members		71,792,369
Total Medical Benefit Obligation	\$	158,261,479
Net Assets at Actuarial Value	\$	79,863,577
Unfunded Medical Benefit Obligation	\$	78,397,902
NOTE: Medical Benefit Obligation based on Entry Age Normal Actuarial Cost Method		

SECTION IV

COMMENTS AND CERTIFICATION

Comments

For the Retirement Fund, the total Actuarial Accrued Liability has increased from \$336,579,763 on June 30, 2000 to \$356,211,860 on June 30, 2001. The Unfunded Actuarial Accrued Liability has increased from (\$122,588,811) to (\$99,948,849). Total actuarial value of assets as of June 30, 2001 was equal to \$456,160,709. The Unfunded Actuarial Accrued Liability increased from (281.19%) to (226.08%) as a percentage of annual payroll and increased from (36.4%) to (28.1%) as a percentage of the Actuarial Accrued Liability in the year ended June 30, 2001.

For the Insurance Fund, the total Actuarial Accrued Liability has increased from \$138,867,085 on June 30, 2000 to \$158,261,479 on June 30, 2001. The Unfunded Actuarial Accrued Liability has increased from \$67,155,373 to \$78,397,902. Total actuarial value of assets as of June 30, 2001 was equal to \$79,863,577. The Unfunded Actuarial Liability increased from 48.4% to 49.5% as a percentage of the Actuarial Accrued Liability in the year ended June 30, 2001.

The change in contribution rate between the 2000 and 2001 valuations is a function of actual plan experience since the last valuation. A formal gain and loss analysis would identify the portion of the contribution rate change attributable to each element of plan experience and benefit change. However, undertaking such an analysis would be extremely time consuming and expensive. In lieu of the formal analysis, we have estimated the impact of the various components of gain and loss based on changes in statistical averages of each group. The following table shows the results of this computation:

June 30, 2000 Contribution Rate	21.58%
Change in Payment Percentage Due to Covered Payroll Experience	(0.49%)
Investment Return Experience	
> Prior to Asset Valuation Method Change	0.06%
> Impact of Asset Valuation Method Change	2.54%
Salary Increase Experience	0.20%
Decrements Experience*	(0.26%)
Change in Insurance Fund Rate	
> One-Year Temporary Funding Rate	(0.33%)
> Increase in Long Term Funding Rate	0.33%
Change in Administrative Expense Rate	(0.21%)
Retiree COLA Effective 7/1/2000	0.55%
Legislated Changes	
> 3 Year Average Window for Nonhazardous	0.00%
Change in Actuarial Assumptions	1.23%
Reduction in Amount Available from Prior Year Retirement Fund Rate to Offset Current Year Increases	(3.62%)
June 30, 2001 Contribution Rate	21.58%
* Includes mortality, disability, termination of employment and retirement experience.	

The annual State contribution rate required to provide the Normal Cost, 30 year amortization of the Unfunded Actuarial Accrued Liability under the level-percentage-of-payroll method, and pay administrative expenses is 0.00%. An additional 21.58% is required to fund medical insurance for retirees, bringing the required contribution up to 21.58%. This is the same as the current 21.58% budgeted contribution rate. Therefore, it is our opinion that the contribution rate beginning July 1, 2002 should remain at the 21.58% level, and we so recommend.

The recommended contribution rates are based on current statutory benefits. The budgeted contribution rates will again be reviewed in the June 30, 2002 valuation.

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to retirement related benefits at selected intervals since the inception of the System.

STATE POLICE RETIREMENT SYSTEM - RETIREMENT FUND					
July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value of Assets	Increase in Assets
1958	\$ 1,450,000	\$ 1,450,000	100.0%	\$ 0	\$ 0
1963	4,553,258	2,008,476	44.1%	2,544,782	619,167
1968	9,079,139	3,288,103	36.2%	5,791,036	789,709
1971	11,828,727	2,441,888	20.6%	9,386,839*	1,339,726
1974	17,737,434	3,179,448	17.9%	14,557,986*	1,935,105
1975	23,182,081	6,169,445	26.6%	17,012,636*	2,454,650
1976	28,693,129	8,231,367	28.7%	20,461,762*	3,449,126
1977	34,561,413	10,436,161	30.2%	24,125,252*	3,663,490
1978	49,950,102	21,440,957	42.9%	28,509,145*	4,383,893
1979	55,391,206	21,487,985	38.8%	33,903,221*	5,394,076
1980	67,580,562	26,663,397	39.5%	40,917,165*	7,013,944
1981	71,526,728	23,296,425	32.6%	48,230,303	7,313,138
1982	78,713,172	21,383,042	27.2%	57,330,130	9,099,827
1983	81,944,546	16,187,460	19.8%	65,757,086	8,426,956
1984	91,180,668	16,200,151	17.8%	74,980,517	9,223,431
1985	99,269,825	14,253,583	14.4%	85,016,242	10,035,725
1986	105,559,951	8,892,252	8.4%	96,667,699	11,651,457
1987	111,541,989	1,347,385	1.2%	110,194,604	13,526,905
1988	120,128,367	(870,182)	(0.8%)	120,998,549	10,803,945
1989	134,550,773	3,200,220	2.4%	131,350,553	10,352,004
1990	154,007,622	8,982,071	5.8%	145,025,551	13,674,998
1991	170,009,955	19,191,881	11.3%	150,818,074	5,792,523
1992**	182,996,056	(4,794,955)	(2.6%)	187,791,011	36,972,937
1993	191,653,594	(8,667,374)	(4.5%)	200,320,968	12,529,957
1994	206,763,310	1,442,801	0.7%	205,320,509	4,999,541
1995	241,690,631	24,186,188	10.0%	217,504,443	12,183,934
1996	244,540,812	7,025,466	2.9%	237,515,346	20,010,903
1997	255,784,758	(23,858,517)	(9.3%)	279,643,275	42,127,929
1998	294,427,019	(11,891,899)	(4.0%)	306,318,918	26,675,643
1999	314,021,673	(43,601,523)	(13.9%)	357,623,196	51,304,278
2000	336,579,763	(122,588,811)	(36.4%)	459,168,574	101,545,378
2001***	356,211,860	(99,948,849)	(28.1%)	456,160,709	(3,007,865)
*Includes capitalized appreciation of investments.					
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.					
***Change in asset valuation method effective in this valuation to 5-year smoothing of investment gains/(losses).					

The following table shows the total Actuarial Accrued Liability, the Unfunded Actuarial Accrued Liability, percent unfunded and the growth of the invested assets relative to medical premium benefits since 1990.

STATE POLICE RETIREMENT SYSTEM - INSURANCE FUND					
July 1 of Year Shown	Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Percent Unfunded	Actuarial Value of Assets	Increase in Assets
1990	\$ 64,784,801	\$ 58,268,284	89.9%	\$ 6,516,517	\$ N/A
1991	74,163,248	65,231,704	88.0%	8,931,544	2,415,027
1992	88,407,634	76,689,678	86.7%	11,717,956	2,786,412
1993	95,290,099	81,004,620	85.0%	14,285,479	2,567,523
1994	110,193,139	92,782,467	84.2%	17,410,672	3,125,193
1995	118,995,732	97,795,537	82.2%	21,200,195	3,789,523
1996**	101,132,886	73,323,619	72.5%	27,809,267	6,609,072
1997	117,361,754	83,485,271	71.1%	33,876,483	6,067,216
1998	124,501,076	83,090,576	66.7%	41,410,500	7,534,017
1999	125,797,150	71,867,291	57.1%	53,929,859	12,519,359
2000	138,867,085	67,155,373	48.4%	71,711,712	17,781,853
2001***	158,261,479	78,397,902	49.5%	79,863,577	8,151,865
**Change in asset valuation method effective in this valuation from book value to a five year average of market to book values.					
***Change in asset valuation method effective in this valuation to 5-year smoothing of investment gains/(losses).					

Certification

On the basis of the actuarial assumptions given and the data furnished by the General Manager of the State Police Retirement System, it is certified that the actuarial valuation has been made by the use of accepted actuarial principles and based on continuation of current funding policies adopted by the Board, that adequate provision is being made for the funding of future benefits.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Stephen A. Gagel, F.S.A.

Date

Edward W. Maynard, F.S.A.

Date

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SECTION V
STATISTICAL DATA
AS OF
JUNE 30, 2001

STATE POLICE RETIREMENT SYSTEM
JUNE 30, 2001

EARNINGS BY AGE GROUPS

AGE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0-19	3	72,000	24,000	0	0	0	3	72,000	24,000
20-24	40	1,022,640	25,566	1	8,256	8,256	41	1,030,896	25,144
25-29	162	5,077,752	31,344	11	357,432	32,494	173	5,435,184	31,417
30-34	230	8,691,300	37,788	11	432,696	39,336	241	9,123,996	37,859
35-39	182	7,875,120	43,270	5	210,468	42,094	187	8,085,588	43,238
40-44	146	7,111,272	48,707	7	332,472	47,496	153	7,443,744	48,652
45-49	126	7,024,380	55,749	2	123,876	61,938	128	7,148,256	55,846
50-54	69	4,490,196	65,075	0	0	0	69	4,490,196	65,075
55-59	20	1,356,264	67,813	0	0	0	20	1,356,264	67,813
60-64	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	0	0	0
70-74	1	23,820	23,820	0	0	0	1	23,820	23,820
75+	0	0	0	0	0	0	0	0	0
TOTAL	979	42,744,744	43,662	37	1,465,200	39,600	1,016	44,209,944	43,514

EARNINGS BY SERVICE GROUPS

SERVICE GROUP	.....MALE.....			.....FEMALE.....			.....TOTAL.....		
	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE	COUNT	EARNINGS	AVERAGE
0	17	291,996	17,176	1	8,256	8,256	18	300,252	16,681
1	117	3,092,172	26,429	3	83,736	27,912	120	3,175,908	26,466
2	48	1,514,400	31,550	4	124,524	31,131	52	1,638,924	31,518
3	0	0	0	0	0	0	0	0	0
4	64	2,136,828	33,388	6	205,152	34,192	70	2,341,980	33,457
0-4	246	7,035,396	28,599	14	421,668	30,119	260	7,457,064	28,681
5-9	209	8,233,812	39,396	9	363,408	40,379	218	8,597,220	39,437
10-14	148	6,556,032	44,298	5	223,776	44,755	153	6,779,808	44,312
15-19	192	9,466,668	49,306	8	378,492	47,312	200	9,845,160	49,226
20-24	69	3,900,252	56,525	1	77,856	77,856	70	3,978,108	56,830
25-29	80	5,108,184	63,852	0	0	0	80	5,108,184	63,852
30-34	32	2,241,336	70,042	0	0	0	32	2,241,336	70,042
35-39	3	203,064	67,688	0	0	0	3	203,064	67,688
40+	0	0	0	0	0	0	0	0	0
TOTAL	979	42,744,744	43,662	37	1,465,200	39,600	1,016	44,209,944	43,514

STATE POLICE RETIREMENT SYSTEM
JUNE 30, 2001

SERVICE GROUPS BY AGE GROUPS

<u>MALE</u>											
AGE		SERVICE									
GROUP	AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19		3									3
20-24		40									40
25-29		120	42								162
30-34		62	128	39	1						230
35-39		14	35	84	49						182
40-44		5	3	24	101	13					146
45-49		1			40	45	40				126
50-54				1	1	11	38	16	2		69
55-59			1				2	16	1		20
60-64											0
65-69											0
70-74		1									1
75+											0
TOTAL		246	209	148	192	69	80	32	3	0	979

<u>FEMALE</u>											
AGE		SERVICE									
GROUP	AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19											0
20-24		1									1
25-29		9	2								11
30-34		3	6	2							11
35-39		1	1	3							5
40-44					7						7
45-49					1	1					2
50-54											0
55-59											0
60-64											0
65-69											0
70-74											0
75+											0
TOTAL		14	9	5	8	1	0	0	0	0	37

<u>TOTAL</u>											
AGE		SERVICE									
GROUP	AGE	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19		3									3
20-24		41									41
25-29		129	44								173
30-34		65	134	41	1						241
35-39		15	36	87	49						187
40-44		5	3	24	108	13					153
45-49		1			41	46	40				128
50-54				1	1	11	38	16	2		69
55-59			1				2	16	1		20
60-64											0
65-69											0
70-74		1									1
75+											0
TOTAL		260	218	153	200	70	80	32	3	0	1,016

STATE POLICE RETIREMENT SYSTEM
JUNE 30, 2001

AVERAGE EARNINGS FOR SERVICE GROUPS BY AGE GROUPS

AGE	SERVICE									
GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	3									3
	24,000									24,000
20-24	41									41
	25,144									25,144
25-29	129	44								173
	28,960	38,620								31,417
30-34	65	134	41	1						241
	30,144	39,726	43,819	44,844						37,859
35-39	15	36	87	49						187
	30,450	39,268	44,373	48,057						43,238
40-44	5	3	24	108	13					153
	28,973	41,056	44,903	49,818	55,208					48,652
45-49	1			41	46	40				128
	33,492			49,256	56,985	61,849				55,846
50-54			1	1	11	38	16	2		69
			45,132	45,684	58,101	66,386	68,906	67,548		65,075
55-59		1				2	16	1		20
		37,908				55,776	71,177	67,968		67,813
60-64										0
65-69										0
70-74	1									1
	23,820									23,820
75+										0
TOTAL	260	218	153	200	70	80	32	3	0	1,016
	28,681	39,437	44,312	49,226	56,830	63,852	70,042	67,688		43,514

TOTAL EARNINGS 44,209,944

AVERAGE AGE 36.92

AVERAGE SERVICE 11.77

Note: Earnings shown in this matrix have not been limited by 401(a)(17).

STATE POLICE RETIREMENT SYSTEM
TABULATION BY MONTHLY SALARY
JUNE 30, 2001

MONTHLY SALARY	NUMBER OF MEMBERS		
	MALES	FEMALES	TOTAL
UNDER \$ 500	3	0	3
\$ 500 - \$ 749	2	1	3
\$ 750 - \$ 999	1	0	1
\$ 1,000 - \$ 1,249	2	0	2
\$ 1,250 - \$ 1,499	1	0	1
\$ 1,500 - \$ 1,749	1	0	1
\$ 1,750 - \$ 1,999	8	0	8
\$ 2,000 - \$ 2,249	43	0	43
\$ 2,250 - \$ 2,499	77	3	80
\$ 2,500 - \$ 2,749	68	9	77
\$ 2,750 - \$ 2,999	45	0	45
\$ 3,000 - \$ 3,499	214	9	223
\$ 3,500 - \$ 3,999	198	10	208
\$ 4,000 - \$ 4,499	134	4	138
\$ 4,500 - \$ 4,999	77	0	77
\$ 5,000 - \$ 5,499	47	0	47
\$ 5,500 - \$ 5,999	35	0	35
\$ 6,000 - \$ 6,499	13	1	14
\$ 6,500 - \$ 6,999	4	0	4
\$ 7,000 - \$ 7,499	5	0	5
\$ 7,500 - \$ 7,999	1	0	1
\$ 8,000 - \$ 8,499	0	0	0
\$ 8,500 - \$ 8,999	0	0	0
\$ 9,000 - \$ 9,499	0	0	0
\$ 9,500 - \$ 9,999	0	0	0
\$ 10,000 AND OVER	0	0	0
TOTAL	979	37	1,016
HIGHLY COMPENSATED EMPLOYEES (ESTIMATED)			
ANNUAL SALARY OF \$66,000 AND OVER	5	0	5

STATE POLICE RETIREMENT SYSTEM
MEMBERS WITH SERVICE IN ANOTHER SYSTEM
JUNE 30, 2001

MEMBERS CURRENTLY ACTIVE IN SPRS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	0	109	109
KERS - HAZARDOUS	1	20	21
CERS - NONHAZARDOUS	6	93	99
CERS - HAZARDOUS	3	66	69
TOTAL - ALL SYSTEMS	10	288	298

MEMBERS CURRENTLY NOT ACTIVE IN SPRS			
<u>SERVICE IN</u>	<u>ACTIVE IN OTHER SYSTEM</u>	<u>INACTIVE IN OTHER SYSTEM</u>	<u>TOTAL</u>
KERS - NONHAZARDOUS	13	9	22
KERS - HAZARDOUS	7	1	8
CERS - NONHAZARDOUS	18	11	29
CERS - HAZARDOUS	44	4	48
TOTAL - ALL SYSTEMS	82	25	107

NOTE: DOES NOT INCLUDE INDIVIDUALS IN PAY STATUS IN OTHER SYSTEMS

STATE POLICE RETIREMENT SYSTEM
 RETIRED LIVES SUMMARY
 JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	68	162,680.44	6	5,599.34	74	168,279.78
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	107	229,688.83	1	885.33	108	230,574.16
66-2/3% TO BENEFICIARY	57	151,924.92	0	0.00	57	151,924.92
50% TO BENEFICIARY	56	135,475.08	2	1,989.44	58	137,464.52
POP-UP OPTION	186	488,449.17	1	519.18	187	488,968.35
10 YEARS CERTAIN	5	14,816.15	0	0.00	5	14,816.15
10 YEARS CERTAIN & LIFE	22	54,358.04	0	0.00	22	54,358.04
SOCIAL SECURITY OPTION						
OPTION C	34	72,899.59	1	1,688.19	35	74,587.78
OPTION D	165	345,938.24	5	3,691.45	170	349,629.69
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	8	2,081.00	4	1,073.07	12	3,154.07
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	10	21,371.15	0	0.00	10	21,371.15
20 YEARS CERTAIN & LIFE	25	54,241.14	4	3,342.14	29	57,583.28
5 YEARS ONLY	0	0.00	0	0.00	0	0.00
TOTAL	743	1,733,923.75	24	18,788.14	767	1,752,711.89

STATE POLICE RETIREMENT SYSTEM
BENEFICIARY SUMMARY
JUNE 30, 2001

	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
BASIC FORM	0	0.00	0	0.00	0	0.00
STRAIGHT LIFE (OLD PLAN)	0	0.00	0	0.00	0	0.00
JOINT & SURVIVOR						
100% TO BENEFICIARY	3	4,236.97	45	88,659.27	48	92,896.24
66-2/3% TO BENEFICIARY	0	0.00	1	1,167.87	1	1,167.87
50% TO BENEFICIARY	1	997.32	8	10,492.70	9	11,490.02
POP-UP OPTION	0	0.00	6	15,094.36	6	15,094.36
10 YEARS CERTAIN	0	0.00	0	0.00	0	0.00
10 YEARS CERTAIN & LIFE	0	0.00	0	0.00	0	0.00
SOCIAL SECURITY OPTION						
OPTION C	0	0.00	0	0.00	0	0.00
OPTION D	0	0.00	7	15,508.27	7	15,508.27
OPTION E	0	0.00	0	0.00	0	0.00
OPTION F	0	0.00	0	0.00	0	0.00
DEPENDENT CHILD	1	248.81	0	0.00	1	248.81
REFUND	0	0.00	0	0.00	0	0.00
15 YEARS CERTAIN & LIFE	1	2,990.97	0	0.00	1	2,990.97
20 YEARS CERTAIN & LIFE	0	0.00	2	7,270.97	2	7,270.97
5 YEARS ONLY	0	0.00	0	0.00	0	0.00
TOTAL	6	8,474.07	69	138,193.44	75	146,667.51

STATE POLICE RETIREMENT SYSTEM
VESTED RETIREMENT SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS	NUMBER	MONTHLY BENEFITS
15-19	0	0.00	0	0.00	0	0.00
20-24	0	0.00	0	0.00	0	0.00
25-29	0	0.00	0	0.00	0	0.00
30-34	2	837.44	0	0.00	2	837.44
35-39	3	1,007.34	1	279.99	4	1,287.33
40-44	4	2,442.56	0	0.00	4	2,442.56
45-49	0	0.00	0	0.00	0	0.00
50-54	2	996.05	0	0.00	2	996.05
55-59	0	0.00	0	0.00	0	0.00
60-64	0	0.00	0	0.00	0	0.00
65-69	0	0.00	0	0.00	0	0.00
70-74	0	0.00	0	0.00	0	0.00
75-79	0	0.00	0	0.00	0	0.00
80-84	0	0.00	0	0.00	0	0.00
85 +	0	0.00	0	0.00	0	0.00
TOTAL	11	5,283.39	1	279.99	12	5,563.38

STATE POLICE RETIREMENT SYSTEM
VESTED MEMBERSHIP SUMMARY
JUNE 30, 2001

AGE NEAREST BIRTHDAY	MALE LIVES		FEMALE LIVES		TOTAL	
	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS	NUMBER	ACCUMULATED CONTRIBUTIONS
15-19	8	562.32	0	0.00	8	562.32
20-24	2	774.87	0	0.00	2	774.87
25-29	13	21,192.76	2	73.90	15	21,266.66
30-34	21	22,687.63	1	15.39	22	22,703.02
35-39	16	5,527.88	3	2,727.88	19	8,255.76
40-44	5	3,450.23	1	390.78	6	3,841.01
45-49	4	3,704.33	0	0.00	4	3,704.33
50-54	2	7,363.10	0	0.00	2	7,363.10
55-59	0	0.00	0	0.00	0	0.00
60-64	0	0.00	0	0.00	0	0.00
65-69	0	0.00	0	0.00	0	0.00
70-74	0	0.00	0	0.00	0	0.00
75-79	0	0.00	0	0.00	0	0.00
80-84	0	0.00	0	0.00	0	0.00
85 +	0	0.00	0	0.00	0	0.00
TOTAL	71	65,263.12	7	3,207.95	78	68,471.07

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Effective Date

The state of Kentucky established the State Police Retirement System in July, 1958. The plan benefits have been improved several times, most recently as of August 1, 2001.

Plan Year

A plan year is a twelve month period beginning on July 1.

Final Compensation

Final compensation is the average salary during the three highest paid fiscal years.

Service

Service means the sum of prior service and current service as defined below:

- (a) Prior service is credited for regular full-time employment of at least 100 hours of work per month with a participating agency before July 1, 1958. In some instances prior service credit is granted for time spent in the military.
- (b) Current service is obtained for regular full-time employment which averages at least 100 hours of work per month with participating agencies after July 1, 1958. Current service credit may be granted for military service and educational leaves if special criteria are met.
- (c) Service is increased by unused sick leave, up to a maximum of six months, for purposes of computing eligibility and the amount of benefits.

Eligibility

The Bureau of State Police shall participate in the System. Membership in the system consists of all regular full-time officers of the Kentucky State Police who are entitled to exercise the powers of police officers.

Normal Retirement Date

A member may elect to retire upon attaining age 55 and having contributed to the System. Upon completion of 20 years of service credit, 15 of which are current service, a member may declare the normal retirement date to be some date prior to age 55.

Early Retirement Date

A member may elect to retire before the normal retirement date at any time after attainment of age 50 and completion of 15 years of service credit.

Normal Retirement Benefits

A monthly benefit equal to 2.50% of the member's final compensation multiplied by his service will be payable upon attainment of age 55 and completion of 60 months of service of which 12 months are current service. A member who retires on or after the normal retirement date with less than 60 months of service is entitled to a retirement allowance which pays the actuarial equivalent of twice the member's accumulated contributions for life.

Early Retirement Benefits

A member who elects early retirement is entitled to a monthly benefit reduced for each month by which the early retirement date precedes the first date on which the member would qualify for an unreduced benefit. If a member has 20 or more years of service credit (15 of which are current), an unreduced benefit is payable.

Disability Benefits

A member with 60 months of service, 12 of which must be current service, is entitled to a retirement allowance computed in the same manner as the normal retirement benefit with service and final compensation determined as of the disability date. Service credit shall be added on to total service for the period from the last day of paid employment to the 55th birthday up to a maximum of service credited to the last day of paid employment. Except for members with 20 or more years of service on the last day of paid employment, the maximum combined service credit (total service and added service) shall not exceed 20 years. For members with 20 or more years of service credit, actual service will be used. The retirement benefit shall not be less than 25% of the member's final monthly rate of pay for those disabled in the line of duty. Ten percent of final monthly rate of pay for each dependent child is also payable if disability occurs in line of duty. The maximum dependent child's benefit is 40% of the member's final monthly rate of pay. A partial disability benefit may be payable if the disability is not total and permanent. The disability will be reduced to a rate determined by the Board.

Death Benefits

If a member dies prior to retirement, but after 60 months of service, 12 of which are current and who is a contributing member, or after 12 years of service, one of which is current and who is not a contributing member, a benefit will be payable to the beneficiary based on the member's age, years of

service and final compensation at the date of death. The benefit will be equal to the amount payable had the employee retired and elected a joint and 100% survivorship payment form.

If a member dies in the line of duty and has a spouse as beneficiary, a \$5,000 lump sum payment will be made and a benefit of 25% of the member's final monthly rate of pay will be payable until death or remarriage. If the member dies in the line of duty and has a dependent as beneficiary, a lump sum payment of \$10,000 will be made. Monthly payments shall be made for each dependent child equal to 10% of the member's final monthly rate of pay, but not greater than 40% of the member's final monthly rate of pay. The beneficiary of a member with 5 or more years of service, one of which is current, may elect a death benefit computed in the same manner as a non-hazardous employee under KERS and CERS, using 2.50% rather than the non-hazardous benefit rate.

Upon the death of a retired member, who had a minimum of 48 months of service credit, a death benefit of \$5,000 is payable.

Optional Forms of Payment

Joint and survivor annuities which provide a reduced benefit for the life of the member, with the benefit at the same or at a further reduced rate continuing after the member's death until the death of the designated beneficiary may be elected by the member prior to retirement. Other optional forms include an annuity with 10, 15 or 20 years of payments guaranteed and a Social Security adjustment with or without survivor rights.

Contributions

Members contribute 8% of gross compensation until age 55. On each June 30, interest is credited at the rate to be determined by the Board on the accumulated contributions the member had in his account on the previous June 30. Upon termination a member may withdraw the contributions with interest, but will be entitled to no benefit payments.

Medical Insurance

Recipients of a retirement benefit may elect to participate in a voluntary hospital/medical group insurance plan for themselves as well as any beneficiaries or dependents. The retirement system will pay a portion of the cost of participation for the retiree and dependents based on years of service credit as follows:

Less than 4 years	0%
4 - 9 years	25%
10 - 14 years	50%
15 - 19 years	75%
20 or more years	100%

If a member is disabled in the line of duty, the retirement system will pay 100% of the cost of the member, spouse and eligible dependents. If a member is killed in the line of duty, the retirement system will pay 100% of the cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

Increase in Retirement Allowances

Effective August 1, 1996, and on July 1 of each year thereafter, a recipient of a retirement allowance shall have his retirement allowance increased by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1996 and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in their judgment the welfare of the Commonwealth so demands.